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INVESTIGATION OF KOREAN-AMERICAN RELATIONS

APPENDIXES

TO THE

REPORT

OF THE

SUBCOMMITTEE ON INTERNATIONAL
ORGANIZATIONS

OF THE

COMMITTEE ON
INTERNATIONAL RELATIONS
U.S. HOUSE OF REPRESENTATIVES

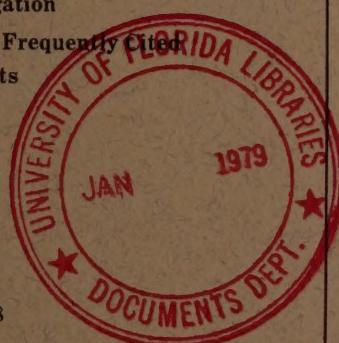
VOLUME I

Background to the Investigation of Korean-American Relations and
Conduct of the Investigation

Listing of Congressional Documents Frequently Cited
Supporting Documents



OCTOBER 31, 1978



Printed for the use of the
Committee on International Relations

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WASHINGTON : 1978

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PREFACE

This companion volume to the Report of the Investigation of Korean-American Relations consists of three appendixes. Appendix A contains a brief description of the origin and conduct of the investigation and a characterization of the cooperation provided by executive branch agencies and other congressional Korean investigations. It also contains the authorizing and funding resolutions of the inquiry and the rules under which it was carried out. Appendix B contains a list of printed hearings of the investigation, other relevant hearings of the Subcommittee on International Organizations which occurred prior to the investigation, and hearings of other congressional committees which were particularly useful in the investigation. Appendix C contains reproductions of some of the documents examined in the course of the investigation and footnoted in the report.

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APPENDIX A

Background to the Investigation of Korean-American Relations and the Conduct of the Investigation

Appendix A describes the history and activities of the investigation and characterizes the nature of the cooperation received from executive branch agencies and other congressional Korean investigations. It also contains the enacting resolutions of the investigation and its rules.

APPENDIX A

BACKGROUND TO THE INVESTIGATION OF KOREAN-AMERICAN RELATIONS AND THE CONDUCT OF THE INVESTIGATION

I. ORIGIN OF THE INVESTIGATION

The Investigation of Korean-American Relations resulted from the concern of the Subcommittee on International Organizations over what the policy of the United States should be in response to violations of international standards on human rights in South Korea by the Government of President Park Chung Hee. Three hearings were held on this problem in 1974, four in 1975. They were part of an ongoing series of hearings on human rights and United States foreign policy which had begun in the fall of 1973.

In the earlier hearings, several witnesses stated that the Korean Government used the Korean Central Intelligence Agency (KCIA) as an instrument of control over the Korean people. At the hearing on June 10, 1975,¹ Prof. Lee Jai Hyon of Western Illinois University, a former senior Korean diplomat, testified that in 1973 he attended meetings at the Embassy at which the KCIA set forth a plan to counter criticism in the United States by employing techniques of "seduction, payoff, and intimidation."¹ Professor Lee reported that the targets of the KCIA plan included Members of Congress, businessmen, academic institutions, the media, and the Korean community in the United States. He cited actual KCIA activities consistent with the plan.

The chairman of the subcommittee, Representative Donald M. Fraser, requested that the Attorney General investigate Professor Lee's allegations. The Department of Justice took no active interest, and consequently the subcommittee began an inquiry of its own.

In 1976, five hearings were held on "Activities of the Korean Central Intelligence Agency in the United States."² Witnesses testified that Korean-Americans were being subjected to harassment, ostensibly at the direction of the KCIA; that organizations headed by Rev. Sun Myung Moon had engaged in political activities in cooperation with the KCIA; and that officials of the U.S. Government had been aware—since the early 1970's—of questionable conduct by the South Korean Government in this country, but had failed to take action.

By the end of 1976, the subcommittee concluded that the magnitude of the allegations and evidence necessitated a larger scale investigation, adequately staffed, and specifically authorized.

On February 3, 1977, the Committee on International Relations voted by committee resolution to have the Subcommittee on International Organizations inquire into relations between the United States and Republic of Korea. Specifically, the subcommittee was ordered to " * * * Conduct a full and complete investigation and study of (1) the activities (within or in relation to the United States) of agencies, officials, employees, and agents of the Government of the Republic of Korea and of persons and organizations acting on behalf of, under the direction of, or in cooperation with, such agencies, officials, employees, or agents; (2) all aspects of the political, military, intelligence, economic, educational, and informational relationships between the Republic of Korea and agencies, officials, employees, or agents of the United States or persons, organizations, and other entities acting on behalf of,

¹ "Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Cong., 1st sess., Pt. 1, June 22, 1977.

² "Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Cong., 2d sess., Pt. II, June 22, Sept. 27 and 30, 1976.

under the direction of, or in cooperation with such agencies, officials, employees, or agents; and (3) such related matters as may be appropriate."³

The subcommittee was to complete its work and issue a report within 18 months following the adoption of the resolution. In January 1978, the Committee on International Relations postponed the deadline by 2 months to October 31, 1978, a delay made necessary because the subcommittee had not officially begun work until April 1977. The subcommittee's investigation was funded under House Resolution 319 and House Resolution 996 at \$685,000 for the 18 months, with an additional \$10,000 provided under House Resolution 915.⁴

INVESTIGATIVE STAFF

Beginning in March 1977, the subcommittee assembled a staff to carry out the investigation, chosen for its investigative, legal, financial, and/or international relations qualifications. This staff, which eventually numbered 20 persons, was distinct from the regular staff of the subcommittee and had separate offices and budget. The exception was Robert B. Boettcher, staff director of the subcommittee, who remained on the regular budget and was responsible for supervising both staffs. Staff biographies are provided below.

ROBERT B. BOETTCHER (staff director)—Staff director, Subcommittee on International Organizations since 1971; Foreign Service officer, Department of State, 1966-71, with service in Japan, Vietnam, and Washington, D.C.; B.A. in history, Auburn University; M.S. in international relations, Georgetown University.

MICHAEL J. HERSHMAN (deputy staff director)—formerly chief investigator of Federal Election Commission and National Wiretap Commission; investigative experience with Senate Watergate Committee and New York City and State investigations of police and judicial corruption; U.S. Army counterintelligence agent in Germany; B.S. in criminal justice, City University of New York.

ROBERT MUELLER (minority consultant)—former Foreign Service information officer, U.S. Information Agency, with service in East Asia; Southeast Asia desk, public affairs, Pentagon, 1968-69; naval officer with U.S. occupation forces in Korea and mainland China, 1945-46; A.B. and M.A., Marquette University.

LAWRENCE B. SULC (minority consultant)—former intelligence officer with the Central Intelligence Agency; 23 years' experience in intelligence work; B.A. in economics, Stanford University.

HOWARD T. ANDERSON (investigator)—formerly New Jersey deputy attorney general, division of criminal justice; B.A. in government, Dartmouth College; J.D., Harvard University.

EDWARD J. BAKER (investigator)—6 years in Korea as Peace Corps volunteer, teacher, and Fulbright research scholar; fluent in Korean language; B.A. in history, Colby College; M.A. in East Asian regional studies, Harvard University; J.D., Yale University; Ph. D. candidate in Korean studies, Harvard University.

STEVEN M. BLUSH (investigator)—researcher with Boston College and Educational Testing Service; B.A. in social anthropology, University of California; M.A. candidate in sociology, Boston College.

GORDON L. FREEDMAN (investigator)—former investigator for Senate Watergate Committee and House Subcommittee on Manpower and Civil Service; B.A. in communications theory, Michigan State University.

EDWIN H. GRAGERT (investigator)—researcher in Korean and Japanese history at Tokyo University and Seoul National University; fluent in Korean and Japanese languages; B.A. in Japanese studies, University of Washington; M.A. in Korean history, Columbia University; Ph. D. candidate in East Asian languages and cultures, Columbia University.

KATHLEEN KADANE (investigator)—former staff writer with Tax Analysts & Advocates; investigator for New York State Assembly; president of Public Eye, Inc., Pittsburgh, Pa.; B.A. in history and philosophy, Bryn Mawr College; candidate for M.S. in accounting, Georgetown University.

MARTIN J. LEWIN (investigator)—formerly with GAO Office of General Counsel; Special Projects Unit, Interstate Commerce Commission; B.S. in economics (accounting major), Wharton School, University of Pennsylvania; J.D., University of Pennsylvania.

FRED J. RAYANO (investigator)—former assistant chief investigator, Federal Election Commission; 16 years as investigator for New York City Police Department and

³ Resolution authorizing the investigation of Korean-American relations, Committee on International Relations, 95th Cong., 1st sess., Feb. 17, 1977. See p. 6 for the full text.

⁴H. Res. 319 to provide funding for the investigation of Korean-American relations, Committee on International Relations, 95th Cong. 1st sess., Mar. 9, 1977, and H. Res. 996 authorizing further funding for the investigation of Korean-American relations, Committee on International Relations, 95th Cong., 2d sess. See pp. 7-9 for the full texts.

New York State Prosecutor's Office; candidate for degree in criminal justice, City University of New York.

BEVERLEY C. LUMPKIN (investigator and administrative officer)—former administrative assistant to chief investigator, Federal Election Commission; experience as legal and executive secretary in Washington, D.C. and Richmond, Va.

WILLIAM J. GARVELINK (research coordinator)—former volunteer staff member, office of Representative Donald M. Fraser; history instructor, University of Minnesota and University of North Carolina; B.A. in history, Calvin College; M.A. in history, University of Minnesota; Ph. D. candidate in international relations, University of North Carolina.

RUTH L. GOOD (research analyst)—formerly research assistant, Carnegie Endowment for International Peace; intern at the United Nations, U.S. National Archives, and the Coalition to Tax Pollution; B.A. in American Studies, Yale University; M.A. candidate in international relations, the Johns Hopkins University.

DAVID P. HAUCK (research analyst)—formerly consultant, with Rand Corp.; research assistant, University of Michigan Center for Japanese Studies; B.A. in political science, Oberlin College; M.A. in political science, University of Michigan.

SUE SLOTNICK (research analyst)—formerly research writer for SANE (author of published study on U.S. relations with South Korea); B.A. in international relations, University of Michigan.

SHARON M. WILLCOX (research assistant)—B.A. in political science, Williams College, 1978.

CAROL CAVANEY (staff assistant)—formerly secretary at Environmental Protection Agency; B.A. in German, Vassar College; M.S. in German, Georgetown University.

SHEA HARRIS (staff assistant)—formerly secretary in the Office of Compliance, Federal Election Commission.

II. THE CONDUCT OF THE INVESTIGATION

During the first few weeks in April 1977, the staff attended seminars on Korean history, language, and culture. Emphasis was given to the evolution of Korean-American relations—military, political, and economic. Following the seminars, the subcommittee addressed the scope and content of the investigation and where it was to begin. Since the mandate was broad and the staff relatively small, each issue or allegation could not be addressed simultaneously. Priorities were based on the amount of information on hand; the prospect of a conclusive inquiry into the allegation; and the importance of the issue in relation to the mandate.

One of the first actions of the subcommittee was to adopt rules for the investigation.⁵ These provided the guidelines for conducting the probe and conformed to the Rules of the House of Representatives and the Committee on International Relations. In the areas of confidentiality and security of investigative files, however, they went beyond House and full Committee rules. For example, the rules of the investigation provided that no member of the subcommittee or subcommittee staff could disclose the content of any material or information gathered in the course of the investigation except as authorized by the subcommittee. House rules require confidentiality only for classified or executive session material. In addition, all subcommittee staff were required to sign nondisclosure agreements, not required under House rules.

RELATIONS WITH THE EXECUTIVE BRANCH

The subcommittee, after adoption of the rules, began to negotiate with various executive branch agencies for access to information in their files, including classified information, as well as to their personnel. The accessibility of documents and personnel was considered vital, particularly in investigating allegations of executive branch awareness of questionable Korean activities. Fulfilling the subcommittee's requests sometimes required many hours of searching for documents, and lengthy interviews.

Satisfactory agreements were reached with all but one agency, and generally the subcommittee found officials to be helpful, although access to materials and cooperation did vary from agency to agency. The investigation benefited from the assistance of the Agency for International Development, the Securities and Exchange Commission, the Immigration and Naturalization Service, the International Communication Agency, and the Department of Agriculture. The Departments of Commerce and Treasury were likewise responsive to the few requests made. The subcommittee has also expressed its gratitude to one segment of the U.S. intelligence community which was particularly cooperative.

⁵ Rules of the investigation of Korean-American relations, pp. 10-18 for full text.

Assistance from the Departments of State and Justice was of the highest importance. The frequency and volume of requests perhaps accounted for the seeming delays in their responding. In the case of the Department of Justice, which was conducting its own Korean investigation, some information could not be made available. The Internal Revenue Service, potentially an important source, is prohibited by law from providing tax records to a congressional committee unless the House of Representatives votes in favor of each request.

The Federal Bureau of Investigation proved somewhat recalcitrant. As a result, the subcommittee had to look elsewhere for answers to key questions about actions taken by the FBI in response to improper or illegal Korean activities in the United States.

Assistance from the Department of Defense was variable. It was forthcoming on a number of subjects, but assistance by the General Counsel of the Department was limited, creating problems for the conduct of the investigation.

In general, the subcommittee's investigation benefited substantially from the cooperation received from the executive branch. Much of the information proved invaluable. In some subject areas, particularly those in which the Korean Government would not cooperate, important questions would have gone unanswered without authoritative information from the executive branch.

RELATIONS WITH OTHER KOREAN INVESTIGATIONS

The Investigation of Korean-American Relations was one of four congressional inquiries into the Korean scandal. The others were conducted by the House Committee on Standards of Official Conduct (House Ethics Committee), the Senate Ethics Committee, and the Senate Select Committee on Intelligence. Each inquiry had a separate mandate and was independent of the others. However, overall there was cooperation, and the Investigation of Korean-American Relations benefited from the exchange of information. At the request of the House Ethics Committee, the subcommittee postponed or canceled certain projects in order to avoid conflicts.

INVESTIGATIVE ACTIVITIES

By the end of the investigation, subcommittee staff had interviewed over 1,500 persons in 11 countries and 28 States and had issued 123 subpoenas. Thousands of documents from government agencies, private organizations, and individuals were examined. The subcommittee held 20 hearings, at which 37 witnesses testified under oath. In preparing this report, the investigative findings were reviewed and conclusions and recommendations developed. A number of the recommendations call for further action by the executive branch and various congressional committees. It is the strong hope of the subcommittee that these matters will be pursued.

III. AUTHORIZING AND FUNDING RESOLUTIONS FOR THE INVESTIGATION OF KOREAN-AMERICAN RELATIONS

[95th Cong., 1st Sess., Feb. 3, 1977]

COMMITTEE RESOLUTION Instructing the Subcommittee on International Organizations to inquire into certain matters respecting relations between the United States and the Republic of Korea.

Resolved, That (a) the Subcommittee on International Organizations (hereinafter in this resolution referred to as the "subcommittee") shall conduct a full and complete investigation and study of (1) the activities (within or in relation to the United States) of agencies, officials, employees, and agents of the Government of the Republic of Korea and of persons and organizations acting on behalf of, under the direction of, or in cooperation with, such agencies, officials, employees, or agents; (2) all aspects of the political, military, intelligence, economic, educational, and informational relationships between the Republic of Korea and agencies, officials, employees, or agents of the United States or persons, organizations, and other entities acting on behalf of, under the direction of, or in cooperation with such agencies, officials, employees, or agents; and (3) such related matters as may be appropriate. The subcommittee shall report to the committee the results of such investigation and study as soon as practicable but in no case later than 18 months after the date of the adoption of this resolution.

(b) For the purpose of carrying out this resolution, the subcommittee shall have the power to issue subpoenas in the conduct of its investigations and activities only when authorized by a majority of the members of the subcommittee voting, a majority being present, and the chairman of the committee shall have the power to

issue, upon request of the chairman of the subcommittee, subpoenas in the conduct of the subcommittee's investigations and activities. Subpoenas issued by the subcommittee shall be signed by the chairman of the subcommittee and may be served by any person designated by the chairman of the subcommittee; and subpoenas issued by the chairman of the committee shall be signed by him and may be served by any person designated by him.

(c) In addition to staff members authorized for the subcommittee under Rule 9 of the committee, the chairman of the subcommittee is authorized to employ such investigators, attorneys, consultants, or organizations thereof, researchers and clerical, stenographic, and other staff and assistance, and to expend such sums for travel of members and staff of the subcommittee, as may be necessary to carry out this resolution, except that sums expended to carry out this resolution may not exceed the amount made available to the committee for the purpose of conducting an investigation and study of the matters described in subsection (a) plus such additional amounts as the committee may make available for such purpose.

(d) The subcommittee shall establish such procedures, consistent with the rules of the committee (including any procedures established under rule 15 of the committee with respect to access to classified information) and of the House of Representatives, as may be necessary to prevent the unauthorized disclosure of information and testimony taken in excessive session or obtained by other means.

[95th Cong., 2d Sess., Feb. 2, 1978]

COMMITTEE RESOLUTION Extending the period during which the Subcommittee on International Organizations is to conduct its Investigation of Korean-American Relations.

Resolved, That, notwithstanding the last sentence of subsection (a) of the committee resolution entitled "Committee Resolution instructing the Subcommittee on International Organizations to inquire into certain matters respecting relations between the United States and the Republic of Korea," adopted by the committee on February 3, 1977, the Subcommittee on International Organizations shall report to the committee the results of the investigation and study required by that resolution as soon as practicable but in no case later than October 31, 1978.

[H. Res. 319, 95th Cong., 1st sess., Mar. 9, 1977]

RESOLUTION To provide funds for the expenses of the investigation and study authorized by a resolution adopted on February 3, 1977 by the Committee on International Relations.

Resolved, That effective from January 3, 1977, the expenses of the investigations and studies to be conducted by the Committee on International Relations, acting through its Subcommittee on International Organizations, pursuant to the resolution adopted on February 3, 1977, the Committee on International Relations, not to exceed \$300,000, including expenditures for the employment of investigators, attorneys, individual consultants or organizations thereof, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by such committee, signed by the chairman of such committee, and approved by the Committee on House Administration. However, not to exceed \$11,000 of the amount provided by this resolution may be used to procure the temporary or intermittent services of individual consultants or organizations thereof pursuant to section 202(i) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(i); but this monetary limitation on the procurement of such services shall not prevent the use of such funds for any other authorized purpose.

SEC. 2. No part of the funds authorized by this resolution shall be available for expenditure in connection with the study or investigation of any subject which is being investigated for the same purpose by any other committee of the House, and the chairman of the Committee on International Relations shall furnish the Committee on House Administration information with respect to any study or investigation intended to be financed from such funds.

SEC. 3. The authorization granted by this resolution shall expire immediately prior to noon on January 3, 1978.

SEC. 4. Funds authorized by this resolution shall be expended pursuant to regulations established by the Committee on House Administration in accordance with existing law.

[H. Res. 915, 95th Cong., 1st sess.]

RESOLUTION

Resolved, That (a) there shall be paid out of the contingent fund of the House of Representatives, in accordance with subsection (b), for the period beginning January 3, 1978, and ending at the close of March 31, 1978, such sums as may be necessary for the continuance of necessary projects, activities, operations, and services, by contract or otherwise, including payment of staff salaries for services performed by the Committee on International Relations, acting through its Subcommittee on International Organizations, in carrying out the investigations and studies authorized by the resolution adopted by that committee on February 3, 1977 (such investigations and studies hereafter in this resolution being referred to as the "Investigation of Korean-American Relations").

(b) For purposes of the Investigation of Korean-American Relations, the Committee on International Relations shall be entitled, for each month or portion of a month occurring during the period specified in subsection (a), to payments out of the contingent fund of the House of Representatives in amounts equal to one-ninth of the total amount authorized for use for such Investigation during the first session of the ninety-fifth Congress by H. Res. 319, adopted March 9, 1977.

SEC. 2. For the period beginning December 1, 1977, and ending at the close of March 31, 1978, not to exceed \$10,000 in expenses for foreign travel on official business by members and staff of the Subcommittee on International Organizations of the Committee on International Relations in carrying out the Investigation of Korean-American Relations shall, to the extent that such expenses are in excess of the amounts available for such expenses under the first section of this resolution or under H. Res. 319, adopted March 9, 1977, be paid out of the contingent fund of the House of Representatives.

SEC. 3. Amounts authorized by section 2 of this resolution or by H. Res. 319, adopted March 9, 1977, for the Committee on International Relations for purposes of the Investigation of Korean-American Relations shall not be considered as payments authorized for use by the Committee on International Relations during the first session of the ninety-fifth Congress in determining the entitlement of that Committee to payments out of the contingent fund under the first section of H. Res. 879, adopted November 2, 1977.

SEC. 4. The entitlement of the Committee on International Relations to payments out of the contingent fund of the House of Representatives pursuant to the provisions of this resolution shall cease to be effective on the effective date of the primary expense resolution adopted with respect to the Investigation of Korean-American Relations.

SEC. 5. Funds authorized by this resolution shall be expended pursuant to regulations established by the Committee on House Administration in accordance with law.

[H. Res. 996, 95th Cong., 2d sess., Rept. No. 95-966]

RESOLUTION^a

Resolved, [That effective from January 3, 1978, the expenses of the investigation and study to be conducted by the Committee on International Relations, acting through its Subcommittee on International Organizations, pursuant to the resolution adopted on February 3, 1977, by the Committee on International Relations, not to exceed \$412,935, including expenditures for the employment of investigators, attorneys, individual consultants or organizations thereof, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by said committee, signed by the chairman of said committee, and approved by the Committee on House Administration. However, not to exceed \$9,000 of the amount provided by this resolution may be used to procure the temporary or intermittent services of individual consultants or organizations thereof, pursuant to section 202(i) of the Legislative Reorganization Act of 1946 (2 U.S.C.

^a Bold brackets equal canceled type. Strike out all after "*Resolved*" and insert the part printed in italic.

72a(i)), but this monetary limitation on the procurement of such services shall not prevent the use of such funds for any other authorized purpose.

[SEC. 2. No part of the funds authorized by this resolution shall be available for expenditure in connection with the study or investigation of any subject which is being investigated for the same purpose by any other committee of the House, and the chairman of the Committee on International Relations shall furnish the Committee on House Administration information with respect to any study or investigation intended to be financed from such funds.

[SEC. 3. The authorization granted by this resolution shall expire at the close of October 31, 1978.

[SEC. 4. Funds authorized by this resolution shall be expended pursuant to regulations established by the Committee on House Administration in accordance with existing law.]

That effective from January 3, 1978, the expenses of the investigation and study to be conducted by the Committee on International Relations, acting through its Subcommittee on International Organizations, pursuant to the resolution adopted on February 3, 1977, by the Committee on International Relations, not to exceed \$375,000 including expenditures for the employment of investigators, attorneys, individual consultants or organizations thereof, and clerical, stenographic, and other assistants, shall be paid out of the contingent fund of the House on vouchers authorized by said committee, signed by the chairman of said committee, and approved by the Committee on House Administration. However, not to exceed \$9,000 of the amount provided by this resolution may be used to procure the temporary or intermittent services of individual consultants or organizations thereof, pursuant to section 202(i) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(i)); but this monetary limitation on the procurement of such services shall not prevent the use of such funds for any other authorized purpose.

SEC. 2. No part of the funds authorized by this resolution shall be available for expenditure in connection with the study or investigation of any subject which is being investigated for the same purpose by any other committee of the House, and the chairman of the Committee on International Relations shall furnish the Committee on House Administration information with respect to any study or investigation intended to be financed from such funds.

SEC. 3. The authorization granted by this resolution shall expire at the close of October 31, 1978.

SEC. 4. Funds authorized by this resolution shall be expended pursuant to regulations established by the Committee on House Administration in accordance with existing law.

IV. RULES OF THE INVESTIGATION OF KOREAN-AMERICAN RELATIONS

(Adopted June 7, 1977)

Rule 1.—General Provisions

1.1 The Rules of the House, and in particular the committee rules enumerated in clause 2 of rule XI, and the rules of the Committee on International Relations, are the Rules for the Investigation of Korean-American Relations, Subcommittee on International Organizations, to the extent applicable.

1.2 Definitions.—For the purpose of these Rules the following definitions are applicable:

(a) "Chairman" means chairman of the Subcommittee on International Organizations, unless otherwise indicated.

(b) "Committee Resolution" means the committee resolution adopted by the Committee on International Relations on February 3, 1977, instructing the Subcommittee on International Organizations to inquire into certain matters respecting relations between the United States and the Republic of Korea.

(c) "Investigation" means the investigation authorized pursuant to the Committee Resolution adopted on February 3, 1977, by the Committee on International Relations instructing the Subcommittee on International Organizations to inquire into certain matters respecting relations between the United States and the Republic of Korea.

(d) "Subcommittee" means the Investigation of Korean-American Relations, Subcommittee on International Organizations.

(e) "Subcommittee Staff" means employees of the Investigation of Korean-American Relations, Subcommittee on International Organizations, consultants to the Investigation, employees of other governmental agencies detailed to or otherwise working with the Investigation, employees of Members of the Subcommittee detailed to or otherwise working with the Investigation, or any other person engaged by contract or otherwise to perform services for or at the request of the Subcommittee.

Rule 2.—Meetings and Hearings

2.1 Meetings may be called by the Subcommittee Chairman as he may deem necessary or at the request of a majority of the Subcommittee. The Subcommittee Chairman shall set meeting dates with a view toward avoiding simultaneous scheduling of the Committee on International Relations or Subcommittee meetings or hearings whenever possible.

2.2 Notice of Hearings.—Public announcement shall be made of the date, place, and subject matter of any hearing to be conducted by the Subcommittee at least one (1) week before the commencement of that hearing, unless the Subcommittee determines that there is good cause to begin such hearings at an earlier date. Such determination shall be made with respect to any hearing by the Subcommittee Chairman, unless the Subcommittee, by majority vote, shall determine otherwise.

Public announcement of all hearings shall be made at the earliest possible date and shall be published in the Daily Digest portion of the Congressional Record.

2.3 The Subcommittee may not sit, without special leave, while the House is reading a measure for amendment under the 5-minute rule.

2.4 (a) In accordance with clause 2(g) of House rule XI, each meeting for the transaction of business of the Subcommittee shall be open to the public except when the Subcommittee, in open session and with a majority of the members present, determines by rollcall vote that all or part of the remainder of the meeting shall be closed to the public: *Provided, however,* That no person other than members of the Subcommittee, and such congressional staff and such departmental representatives as they may authorize, shall be present in any meeting which has been closed to the public.

This provision does not apply to any meeting that relates solely to internal budget or personnel matters.

(b) As required by clause 2(g), House rule XI, each hearing conducted by the Subcommittee shall be open to the public except when the Subcommittee, in open session and with a majority of the members present, determines by rollcall vote that all or part of the remainder of that hearing on that day shall be closed to the public because disclosure of testimony, evidence, or other matters to be considered would endanger the national security or would violate any law or rules of the House of Representatives: *Provided, however,* That the Subcommittee may by the same procedure vote to close one subsequent day of hearings: *Provided further,* That in accord with rule XI, clause 2 (g)(2) of the House rules, no member may be excluded from nonparticipatory attendance at any hearing of the Subcommittee, unless such exclusion is authorized by a majority vote of the House of Representatives.

2.5 Quorum.—For the purpose of taking testimony and receiving evidence, two (2) members shall constitute a quorum. One-third ($\frac{1}{3}$) of the members of the Subcommittee shall constitute a quorum for taking any action, with the following exceptions: (1) reporting a recommendation; (2) closing Subcommittee meetings and hearings to the public; (3) authorizing the issuance of subpoenas; and (4) adoption and amendment of Rules.

2.6 Records.—It shall be the duty of the staff director of the Subcommittee to keep or cause to be kept a complete record of all Subcommittee actions, including the record of votes on any matter on which a record vote is taken and of all quorum calls, together with all motions, points of order, parliamentary inquiries, rulings of the Chair and appeals therefrom.

2.7 Proxies.—Proxy voting is permitted in the Subcommittee only under the following conditions:

The proxy authorization—

(a) shall be in writing;

(b) shall assert that the member is absent on official business or is otherwise unable to be present at the meeting of the Subcommittee; and

(c) shall be limited to a motion to report a bill or resolution.

Each proxy to be effective shall be signed by the member assigning his or her vote and shall contain the date and time of day that the proxy is signed. Proxies are not counted for a quorum.

Rule 3.—Hearing Procedures

3.1 Participation of Members.—The chairman and the ranking minority member of the Committee on International Relations may attend the meetings and participate in the activities of the Subcommittee, except for voting and being counted for a quorum.

3.2 Oath or Affirmation.—Testimony of witnesses shall be given under oath or affirmation, unless the Subcommittee determines otherwise, which may be administered by the Chairman or any member designated by the Chairman.

3.3 Interrogation of Witnesses.—So far as is practicable, each witness shall file with the Subcommittee, 48 hours in advance of his or her appearance, a written statement of his or her proposed testimony and shall make a brief oral summary of his or her views.

Insofar as is practicable, witnesses shall be permitted to present their oral statements without interruption, questioning by the Subcommittee members taking place afterward. After completing his questioning, the Chairman shall recognize the ranking majority and then the ranking minority member, and thereafter in recognizing members present, he shall recognize two majority members and one minority member alternating in that order, giving preference to the members on the basis of their arrival at the hearing. A member desiring to speak or ask a question shall address the Chairman and not the witness in order to insure orderly procedure.

Each member may interrogate the witness for 5 minutes, the reply of the witness being included in the 5-minute period. After all members have had an opportunity to ask questions, the round shall begin again under the 5-minute rule.

The Chairman shall take note of members who are in their chairs when each day's hearing begins, and insofar as is practicable, when the time occurs for interrogation, shall recognize each such member ahead of all others. The Chairman or any member may recognize staff members for the purpose of questioning a witness for a period to be determined by the Chairman.

3.4 Additional Rules.—The following additional Rules shall apply to all investigative hearing procedures:

(a) The Chairman at an investigative hearing shall announce in the opening statement the subject of the investigation.

(b) A copy of the rules of the Committee on International Relations, the Rules of this Subcommittee, and clause (2) (k) of House rule XI (Investigative Hearing Procedures) shall be made available to each witness.

(c) Witnesses at investigative hearings may be accompanied by their own counsel for the purpose of advising them concerning their constitutional rights.

(d) The Chairman may punish breaches of order and decorum, and of professional ethics on the part of counsel, by censure and exclusion from the hearings, and the Subcommittee may recommend that the Committee on International Relations cite the offender to the House for contempt.

(e) If the Subcommittee determines that evidence or testimony at an investigative hearing may tend to defame, degrade, or incriminate any person, it shall—

- (1) receive such evidence or testimony in executive session;
- (2) afford such person an opportunity voluntarily to appear as a witness; and
- (3) receive and dispose of requests from such person to subpoena additional witnesses.

(f) Except as provided in paragraph (e), the Chairman shall receive and the Subcommittee shall dispose of requests to subpoena additional witnesses.

(g) No evidence or testimony taken in executive session may be released or used in public sessions without the consent of the Subcommittee.

(h) In the discretion of the Subcommittee, witnesses may submit brief and pertinent sworn statements in writing for inclusion in the record. The Subcommittee is the sole judge of the pertinency of testimony and evidence adduced at its hearing.

(i) A witness may obtain a transcript copy of his or her testimony given at a public session or, if given at an executive session, when authorized by the Subcommittee.

3.5 Witness' counsel may submit written questions to be propounded to his or her client. Such questions will be asked by the Subcommittee if a majority of the members consent.

3.6 Any objection by witness' counsel must be specifically ruled upon by the Chairman or presiding member and such rulings shall be the ruling of the Subcommittee, unless a disagreement thereon is expressed by a majority of the Subcommittee present. In the case of a tie, the rule of the Chair will prevail.

3.7 The Chairman of the Subcommittee shall offer each witness, at the conclusion of his or her testimony, the opportunity to explain or amplify that testimony. The time afforded each witness shall not exceed 5 minutes, unless extended for good cause by the Chairman. The Subcommittee may ask additional questions of the witness at the conclusion of any such explanation or amplification.

3.8 If a witness who desires counsel, but is financially or otherwise unable to secure counsel, informs the Subcommittee in writing at least 48 hours in advance of his or her inability to retain counsel, the Subcommittee will assist the witness in securing *voluntary* independent counsel for the witness. Such attempts by the Subcommittee to secure counsel will not include the payment of fees to an attorney representing a witness at a Subcommittee hearing. Failure of a witness to agree to the counsel provided will not excuse the witness from appearing and testifying.

3.9 An accurate stenographic record shall be made of all hearings. Members of the Subcommittee and any witness may examine the transcript of his or her own remarks and may make any grammatical or technical changes that do not substantially alter the record. If the testimony was given in executive session, the witness may only inspect the transcript at a location to be determined by the Chairman. Any such member or witness shall return the transcript to the Subcommittee offices within five (5) calendar days (not including Saturdays, Sundays and legal holidays) after receipt of the transcript, or as soon thereafter as is practicable. Any questions arising with respect to such editing shall be decided by the Chairman.

Any information supplied for the record at the request of a member of the Subcommittee shall be provided to the member when received by the Subcommittee.

Transcripts of hearings (except for the record of a hearing which is closed to the public) shall be printed as soon as is practicable after receipt of the corrected versions, except that the Chairman may order the transcript of a hearing to be printed without the corrections of a member or witness if the Chairman determines that such member or witness has been afforded a reasonable time to correct such transcript and such transcript has not been returned within such time.

Rule 4.—Subpenas

4.1 *Procedure.*—In accordance with the Committee Resolution the Subcommittee shall have the power to issue subpenas in the conduct of its Investigation and activities only when authorized by a majority of the members of the Subcommittee voting, a majority being present, and the chairman of the Committee on International Relations shall have the power to issue, upon request of the Chairman of the Subcommittee, subpenas in the conduct of the Subcommittee's investigations and activities. Subpenas issued by the Subcommittee shall be signed by the Chairman of the Subcommittee and may be served by any person designated by the Chairman of the Subcommittee; and subpenas issued by the chairman of the Committee on International Relations shall be signed by him and may be served by any person designated by him. Each subpoena shall be served with a copy of the full Committee Resolution authorizing the Investigation, and a copy of the Rules of the Subcommittee which are in effect at the time of issuance of the subpoena.

4.2 *Power to Sit and Act; Subpna Power.*—(a) For the purpose of carrying out any of its functions the Subcommittee is authorized as provided in the House rules and subject to section 4.1 of these Rules:

(1) to sit and act at such times and places within the United States, whether the House is in session, has recessed, or has adjourned, and to hold such hearings; and

(2) to require, by subpna or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, documents, tangible objects, and other things of any kind, as it deems necessary. The Chairman of the Subcommittee, or any member designated by the Chairman, may administer oaths to any witness.

(b) Compliance with any subpoena issued by the Subcommittee or by the chairman of the Committee on International Relations under section 4.1 may be enforced only as authorized or directed by the House.

4.3 Except as otherwise specifically authorized by the Chairman, no staff members shall make public the name of any witness subpoenaed by the Subcommittee.

Rule 5.—Prior Approval of Reports

5 No Subcommittee or staff report, study, or other document which purports to express publicly the views, findings, conclusions or recommendations of the Subcommittee may be released to the public or filed with the Committee on International Relations unless approved by a majority of the members of the Subcommittee. In any case in which clause 2(1)(5) of House rule XI does not apply, each member of the Subcommittee shall be given an opportunity to have views or a disclaimer included as part of the material filed or released, as the case may be.

Rule 6.—Procedures for Handling Investigative Material

6.1 Subcommittee staff offices shall operate under strict security precautions. At least one security guard shall be on duty at all times by the entrance to control entry. Before entering the office, all persons shall identify themselves.

6.2 Classified documents and material shall be segregated in a secure storage cabinet. Copying, duplicating, or removal from the Subcommittee offices of such documents and other materials is prohibited except as necessary for use in, or preparation for, interviews or Subcommittee meetings, including the taking of testimony.

6.3 The staff director shall be responsible for the maintenance, under appropriate security procedures, of a registry which will number and identify all classified papers and other classified materials in the possession of the Subcommittee. Authorized or designated persons will be required to sign a classified materials log in order to use classified materials.

6.4 Access to classified information or sensitive material shall be limited to those staff members with appropriate security clearances and a need to know, as determined by the Chairman acting through the staff director, or in the case of Subcommittee minority staff, by the ranking minority member of the Subcommittee. Each member of the Subcommittee shall have access to all materials in the Subcommittee's possession.

6.5 No member of the Subcommittee or of the Subcommittee staff shall disclose, in whole or in part or by the way of summary, to any person not a member of the Subcommittee or the Subcommittee staff for any purpose or in connection with any proceeding, judicial or otherwise, any testimony given before the Subcommittee in executive session, or the contents of any materials or other information gathered in the course of the Investigation, other than that which is a matter of public record, except as authorized by the Subcommittee, except

that the Chairman may authorize the release of any information, subject to rule 3.4(g) of these Rules, to appropriate officials within the executive branch of Government, or to appropriate congressional committees.

6.6 Any Member of the House seeking access to any information gathered by the Subcommittee in the course of the Investigation, other than that which is a matter of public record, shall request such access in writing, provide reasonable prior notice, and sign an agreement not to disclose such information except as authorized by the Subcommittee. Whenever the Subcommittee makes classified material available to any committee of the House, or to any Member of the House not a member of the Subcommittee, a written record shall be made identifying the committee or Member of the House requesting such information and the particular information made available to such committee or Member.

Rule 7.—Adoption and Amendment of Rules

7 These Rules of the Subcommittee shall be established, modified, amended or repealed only by a majority vote of the Subcommittee, a majority of the Subcommittee being present, provided that prior notice of the proposed change has been provided each member of the Subcommittee not less than 48 hours before those changes are to be acted upon by the Subcommittee.

Rule 8.—Staff

8.1 In accordance with the Committee Resolution, the Chairman of the Subcommittee is authorized to employ, subject to the approval of the chairman of the Committee on International Relations and the concurrence by a majority of the members of the Subcommittee, such investigators, attorneys, consultants, or organizations thereof, researchers and clerical, stenographic, and other staff and assistance, and to expend such sums for travel of members and staff of the Subcommittee, as may be necessary, except that sums expended to carry out the Committee Resolution may not exceed the amount made available to the Subcommittee for the purpose of conducting an investigation and study of the matters described in subsection (a) of the Committee Resolution, plus such additional sums as the Committee on International Relations may make available for such purpose.

8.2 No member of the Subcommittee staff shall be allowed access to information described in rule 6.5 of these Rules, unless such a member of the Subcommittee staff agrees in writing not to divulge any such information.

8.3 The members of the Subcommittee staff shall not discuss the procedures of the Investigation of the Subcommittee with any person not a member of the Subcommittee or the Subcommittee staff for any purpose or in connection with any proceeding, judicial or otherwise, other than that which is a matter of public record, during his or her tenure as a member of the Subcommittee staff, except as directed by the Chairman.

Rule 9.—Broadcasting of Subcommittee Hearings and Meetings

9.1 When requested by the superintendent of the House Radio and Television Gallery and upon approval by the Subcommittee, all Subcommittee hearings which are open to the public may be covered, in whole or in part, by television broadcast, radio broadcast, and still photography, or by any such methods of coverage: *Provided*, That such request is submitted to the Subcommittee not later than 4 p.m. of the day preceding such hearing.

9.2 The Chairman of the Subcommittee is authorized to determine on behalf of the Subcommittee whether hearings which are open may be broadcast, unless the Subcommittee by majority vote determines otherwise.

9.3 Such coverage shall be in accordance with the following requirements (section 116(b) of the Legislative Reorganization Act of 1970, clause 3(f) of rule XI of the Rules of the House of Representatives):

(a) If the television or radio coverage of the hearing or meeting is to be presented to the public as live coverage, that coverage shall be conducted and presented without commercial sponsorship.

(b) No witness served with a subpoena by the Subcommittee shall be required against his or her will to be photographed at any hearing or to give evidence or testimony while the broadcasting of that hearing, by radio or television, is being conducted. At the request of any such witness who does not wish to be subjected to radio, television, or still photography coverage, all lenses shall be covered and all microphones used for coverage turned off. This paragraph is supplementary to paragraph (m) of clause 2(k)(5) of rule XI of the Rules of the House of Representatives, relating to the protection of the rights of witnesses.

(c) Not more than four (4) television cameras, operating from fixed positions, shall be permitted in a hearing or meeting room. The allocation among cameras permitted in a hearing room shall be in accordance with fair and equitable procedures devised by the Executive Committee of the Radio and Television Correspondents' Galleries.

(d) Television cameras shall be placed so as not to obstruct in any way the space between any witness giving evidence or testimony and any member of the Subcommittee or the visibility of that witness and that member to each other.

(e) Television cameras shall not be placed in positions which obstruct unnecessarily the coverage of the hearing by the other media.

(f) Equipment necessary for coverage by the television and radio media shall not be installed in, or removed from, the hearing or meeting room while the Subcommittee is in session.

(g) Floodlights, spotlights, strobelights, and flashguns shall not be used in providing any method of coverage of the hearing or meeting, except that the television media may install additional lighting in the hearing room, without cost to the Government, in order to raise the ambient lighting level in the hearing room to the lowest level necessary to provide adequate television coverage to the hearing or meeting at the then current state of the art of television coverage.

(h) Not more than five (5) press photographers shall be permitted to cover a hearing by still photography. In the selection of these pho-

tographers, preference shall be given to photographers from Associated Press Photos and United Press International Newspictures. If request is made by more than five (5) of the media for coverage of the hearing or meeting by still photography, that coverage shall be made on the basis of a fair and equitable pool arrangement devised by the Standing Committee of Press Photographers.

(i) Photographers shall not position themselves, at any time during the course of the hearing or meeting, between the witness table and the members of the Subcommittee.

(j) Photographers shall not place themselves in positions which obstruct unnecessarily the coverage of the hearing by the other media.

(k) Personnel providing coverage by the television and radio media shall be then currently accredited to the Radio and Television Correspondents' Galleries.

(l) Personnel providing coverage by still photography shall be then currently accredited to the Press Photographers' Gallery Committee of Press Photographers.

(m) Personnel providing coverage by the television and radio media and by still photography shall conduct themselves and their coverage activities in an orderly and unobtrusive manner.

APPENDIX B

Listing of Congressional Documents Frequently Cited

Appendix B contains a list of all the hearings printed by the investigation, relevant hearings by the Subcommittee on International Organizations, and other congressional hearings.

I. HEARINGS OF THE INVESTIGATION OF KOREAN-AMERICAN RELATIONS

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 1st session, part 1, June 22, 1977.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 1st session, part 2, July 28, and August 3, 1977.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 1st session, part 3, November 29 and 30, 1977.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 2d session, part 4, March 15, 16, 21, 22; April 11, 20; and June 20, 1978.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 2d session, supplement to part 4, March 15, 16, 21, and 22, 1978.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 2d session, part 5, June 1, 6, and 7, 1978.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, 2d session, part 6, July 19 and August 2, 1978.¹

"Investigation of Korean-American Relations," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 95th Congress, part 7, June 22, 1977; July 20 and August 15, 1978.¹

II. OTHER HEARINGS OF THE SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS

"Human Rights in South Korea: Implications for U.S. Policy," hearings before the Subcommittees on Asian and Pacific Affairs and on International Organizations and Movements of the Committee on Foreign Affairs, 93d Congress, 2d session, July 30, August 5, and December 20, 1974.²

"Human Rights in South Korea and the Philippines: Implications for U.S. Policy," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Congress, 1st session, May 20, 22; June 3, 5, 10, 12, 17, and 24, 1975.³

"Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Congress, 2d session, part I, March 17 and 25, 1976.¹

"Activities of the Korean Central Intelligence Agency in the United States," hearings before the Subcommittee on International Organizations of the Committee on International Relations, 94th Congress, 2d session, part II, June 22; September 27 and 30, 1976.¹

III. OTHER CONGRESSIONAL HEARINGS

"United States Security Agreements and Commitments Abroad," hearings before the Subcommittee on United States Security Agreements and Commitments Abroad, Committee on Foreign Relations, U.S. Senate, volume II, February 24, 25, and 26, 1970.²

"Korean Influence Investigation Part 1," hearings before the Committee on Standards of Official Conduct, 95th Congress, 1st session, October 19, 20, and 21, 1977.⁴

¹ Document available from the Committee on International Relations and Government Printing Office.

² Document out of print.

³ Document available from Government Printing Office.

⁴ Document available from the Committee on Standards of Official Conduct.

"Korean Influence Investigation—Part 2," hearings before the Committee on Standards of Official Conduct, 95th Congress, 2d session, April 3, 4, 5, 10 and 11, 1978.⁴

"Korean Influence Inquiry," executive session hearings before the Select Committee on Ethics of the U.S. Senate, 95th Congress, 2d session, March 14, 15, 16, 17, 22, 23; and April 10, 11, 27, 1978, volume I.⁵

"Korean Influence Inquiry," executive session hearings before the Select Committee on Ethics of the U.S. Senate, 95th Congress, 2d session, April 24, 26; May 8, 12, 23, 24; June 16; July 10; and August 7, 8, 1978, volume II.⁶

"Korean Influence Inquiry," report of the Select Committee on Ethics, U.S. Senate, October 10, 1978.⁷

³ Document available from Government Printing Office.

⁴ Document available from the Committee on Standards of Official Conduct.

APPENDIX C

Supporting Documents

The following appendix contains reproductions of documents supporting the investigative findings of the report of the investigation of Korean-American relations. The documents in appendix C are organized according to the sections and major subsections of the report's "Part C: Investigative Findings, Conclusions, and Recommendations." Within each section or subsection most documents are listed in chronological order. Each document is identified by a number (a few related ones are listed under the same number) which corresponds to the footnote references in the report.

I. REVIEW OF KOREAN-AMERICAN RELATIONS

1. Cable from General Magruder to the Joint Chiefs of Staff, dated May 17, 1961

INCOMING MESSAGE

THE WHITE HOUSE

COMUSK/CGEUSA
4622-4623/JCT



17 MAY 1961

ata

PRIORITY

Ler

FROM: COMUSK/CGEUSA
TO : JCS WASHDC
INFO : WHITE HOUSE
ATN: CINCUSARPAC
COMUS JAPAN
COMAF JAPAN
COMAF FIVE FUCHU AS
COMSEVENTHFLT
CINCPACFLT
AMEMB KOREA
USOM KOREA
CGONECOR CP RED CLOUD KOREA
COMNAVFORKOREA
COMAFKOREA
PACAF HICKAM AFB
USIS AMEMB SEOUL
CGSEVENLOG COMD SEOUL
CHKMAG SEOUL
COFOURUSAMC KOREA
COTHREEEIGHT ART BDE(AD) OSAN KOREA
CO EUSA SP TRPS SEOUL
COM 314 ADIV OSAN AFB KOREA

CITE: EUSA JOC 70305

1. (C) AT APPROXIMATELY 3:00 AM ON THE MORNING OF 16 MAY 1961, GENERAL MAGRUDER WAS CALLED ON THE TELEPHONE BY LT GENERAL CHANG DO YOUNG, CHIEF OF STAFF, ROKA, WHO INFORMED GENERAL

MAGRUDER THAT AN ATTEMPTED MILITARY COUP OF THE ROK GOVERNMENT WAS IN PROGRESS. AT THIS TIME, HE REQUESTED THAT US MPS BE COMMITTED AGAINST ROK MARINES. GENERAL MAGRUDER REFUSED.

2. (C) GENERAL CHANG STATED THAT THE COUP WAS LED BY MAJ GENERAL PAK JUNG HUI AND THAT ALSO INVOLVED WHERE ELEMENTS OF THE 1ST MARINE BRIGADE FROM KIMPO PENINSULA, THE 30TH, 31ST, 33D RESERVE DIVISIONS, AND THE ROK SPECIAL FORCES.

3. (C) LATER INFORMATION INDICATED THAT MAJ GENERAL PAK JUNG HUI, DEPUTY CG, SROKA, ASSUMED COMMAND AT 6TH MILITARY DISTRICT HEADQUARTERS AT APPROXIMATELY MIDNIGHT. AT APPROXIMATELY 0300 HOURS, THE RESERVE BATTALION OF THE 1ST MARINE BRIGADE OF KIMPO PENINSULA STARTED NORTH ACROSS THE SOUL HAN RIVER BRIDGE WHERE A FIRE FIGHT DEVELOPED WITH ROKA MPS. IT LATER DEVELOPED THAT THE BATTALION WAS LED BY BRIG GEN KIM YUN GEUN, CG OF THE 1ST MARINE BRIGADE.

4. (C) MAJ GEN PAK JUNG HUI THEN PROCEEDED TO TREAT WITH LT GEN CHANG DO YOUNG, IN AN EFFORT TO GET LT GEN CHANG TO LEAD THE MILITARY COUP. THE KBS RADIO FACILITIES IN THE HANDS OF MAJ GEN PAK UUNG HUI FORCES, STARTING AT 0500 HOURS KGT, BEGAN TO MAKE BROADCASTS IN THE NAME OF THE REVOLUTIONARY COMMITTEE. THE BROADCAST WAS MADE IN THE NAME OF LT GEN CHANG. IT IS NOT BELIEVED THAT LT GEN CHANG AUTHORIZED THE USE OF HIS NAME FOR

THIS PURPOSE.

5. (C) THE MILITARY REVOLUTIONARY COMMITTEE RELEASED A STATEMENT THAT THE COMMITTEE HAD ASSUMED CONTROL OF THE LEGISLATIVE, EXECUTIVE, AND JUDICIAL BRANCHES OF THE ROK GOVERNMENT.. THE ACTION WAS TAKEN TO TERMINATE CORRUPTION AND OVERCOME THE DIFFICULT SITUATION FACING THE NATION. THE COMMITTEE PROMISED THAT THE NEW GOVERNMENT WILL (1) BE STRICTLY ANTI-COMMUNIST, (2) ROOT OUT CORRUPTION, (3) OBSERVE THE UN CHARTER AND ALL INTERNATIONAL AGREEMENTS AND COOPERATION WITH THE US AND ALL OTHER FREE NATIONS, (4) ENDEAVOR TO STABILIZE THE NATIONAL ECONOMY, (5) UNIFY KOREA AS AN ANTI-COMMUNIST NATION, AND(6) TURN OVER THE REIGNS OF GOVERNMENT TO "HONEST AND COMPETENT POLITICAL LEADERS." THE STATEMENT CONCLUDED WITH AN APPEAL TO CITIZENS TO REPORT FOR WORK AS NORMAL.

6. (C) AT GEN MAGRUDER'S REQUEST, GEN CHANG VISITED GEN MAGRUDER IN HIS OFFICE AT APPROXIMATELY 0630 HOURS. AT THIS TIME CHANG GAVE GEN MAGRUDER THE IMPRESSION THAT HE WAS NOT A PARTY TO THE REVOLUTION, BUT DESIRED TO NEGOTIATE WITH THE REVOLUTIONARIES TO PREVENT BLOODSHED. CHANG STATED HE WISHED TO TALK TO MILITARY CMDRS TO GET ASSURANCE THEY WOULD BACK HIM IN OPPOSING REVOLUTION. HE WAS RELUCTANT TO CALL IN ROKA TROOPS.

7. (C) IN LATER TALK WITH MAGRUDER, CHANG INDICATED HE WAS

STILL NEGOTIATING WITH PAK IN AN ENDEAVOR TO GET PAK TO OPERATE THROUGH THE ROK GOVERNMENT. CHANG REQUESTED PAK TO MAKE HIS DEMANDS KNOWN TO THE GOVERNMENT.

8. (C) CHANG INDICATED TO GEN MAGRUDER HE WOULD REQUEST THE PRESIDENT TO DECLARE MARTIAL LAW WITH CHANG AS MARTIAL LAW CMDR THUS ENHANCING CHANG'S POSITION VIS A-VIS PAK.

9. (C) AS OF 160900 MAY 61,3 THE MILITARY REVOLUTION COMMITTEE", ANNOUNCED OVER THE RADIO THAT THE ENTIRE NATION HAD BEEN PLACED UNDER EMERGENCY MARTIAL LAW. COMPOSITION OF THE COMMITTEE AS ANNOUNCED OVER THE KOREAN RADIO WAS: LT GEN CHANG DO YOUNG, CHAIRMAN; MAJ GEN PAK JUNG HUI, VICE CHAIRMAN: LT GEN YI HAN-IM, CG, FROXA; LT GEN CH'OE KYONG-NOK, CG SROKA; MAJ GEN SO CHONG-CH'OI, CG IV MDC; MAJ GEN KIM KYE-WON, CG III MDC; MAJ GEN PAK KI-PYONG, CG V MDC; AND MAJ GEN PAK HYON-SU, CG LOG COMD. THE ANNOUNCEMENT PROHIBITED ALL PUBLIC GATHERINGS AND TRAVEL TO FOREIGN COUNTRIES; SET CURFEW HOURS FROM 1900 TO 0500 HOURS; FROZE ALL BANK ASSETS; CLOSED ALL AIRPORTS AND HARBORS; AND ESTABLISHED CENSORSHIP OF ALL PUBLICATIONS.

10. (C) BY 1000 HOURS MOST OF DOWNTOWN SEOUL WAS UNDER CONTROL OF THE MILITARY REVOLUTIONARY COMMITTEE EMPLOYING ELEMENTS OF THE ROK MC 1ST BRIGADE. THE 30TH AND 33D ROK RESERVE DIVS, VI CORPS ARTY UNITS, AND OF THE 1ST COMBAT TEAM (AIRBORNE).

11. (C) AT APPROX 1018 HOURS, THE FOLLOWING STATEMENT WAS RELEASED BY PIO EUSA: GENERAL MAGRUDER, IN HIS CAPACITY AS COMMANDER IN CHIEF OF THE UNC, CALLS UPON ALL MILITARY PERSONNEL IN HIS COMMAND TO SUPPORT THE DULY RECOGNIZED GOVERNMENT OF THE ROK HEADED BY PRIME MINISTER CHANG MYON. GENERAL MAGRUDER EXPECTS THAT THE CHIEFS OF THE KOREAN ARMED FORCES WILL USE THEIR AUTHORITY AND INFLUENCE TO SEE THAT CONTROL IS IMMEDIATELY TURNED BACK TO THE GOVERNMENT AUTHORITIES AND THAT ORDER IS RESTORED IN THE ARMED FORCES.

12. (C) ALMOST CONCURRENTLY THE FOLLOWING STATEMENT OF MINISTER MARSHALL GREEN, CHARGE DE-AFFAIRS, AMERICAN EMBASSY. THE POSITION TAKEN BY THE COMMANDER IN CHIEF UNC IN SUPPORTING THE FREELY ELECTED AND CONSTITUTIONALLY ESTABLISHED GOVERNMENT OF THE ROK IS OF WHICH I FULLY CONCUR. I WISH TO MAKE IT EMPHASITICALLY CLEAR THAT THE US SUPPORTS THE CONSTITUTIONAL GOVERNMENT OF THE ROK AS ELECTED BY THE PEOPLE OF THE REPUBLIC LAST JULY AS AS CONSTITUTED BY THE ELECTION LAST AUGUST OF A PRIME MINISTER.

13. (C) AFTER READING GENERAL MAGRUDER'S STATEMENT, GEN LEE HAN LIM, CG FROKA, STATED THAT HE WILL OBEY THE ROK GOVERNMENT: THAT IF HIS TROOPS WERE CALLED UPON TO PUT DOWN THE INSURRECTION, THERE MIGHT BE A FEW WHO WOULD NOT FIGHT THE INSURRECTIONISTS, BUT MOST WOULD. GEN LEE HAS ALERTED CERTAIN TROOPS FOR POSSIBLE MOVEMENT. FROKA HAS NOT BEEN ALERTED.

14. (C) AT APPROX 1030 HOURS KST LT GENERAL CHANG, CHIEF OF STAFF, ROKA, WENT TO VISIT THE PRESIDENT OF THE REPUBLIC OF KOREA WHO IS UNDER NO RESTRICTION AND THE MINISTER OF NATIONAL DEFENSE, WHO IS UNDER HOUSE ARREST. THE PRESIDENT TOLD GENERAL CHANG THAT HE DOES NOT DESIRE MARTIAL LAW TO BE ESTABLISHED IN KOREA AND THAT HE DOES NOT DESIRE ANY FIRM ACTION TO ELIMINATE THE REVOLUTIONARY MOVEMENT. THE MINISTER OF NATIONAL DEFENSE STATED THAT HE DOES NOT DESIRE THAT ROKA TROOPS BE USED TO PUT DOWN THE REVOLUTIONARY MOVEMENT.

15. (C) AT ABOUT 1115 HOURS, LT GEN CHOI KYUNG-MUK, CG ROKA, WAS IN COMMUNICATION WITH GENERAL MAGRUDER. HE ADVISED THAT HE REMAINED LOYAL TO AND WOULD SUPPORT THE GOVERNMENT; FURTHER HE HAD RECALLED TO THEIR BARRACKS ELEMENTS OF 2 ENGINEER BNS WHICH HAD TAKEN CONTROL IN TAEGU AND THEY HAD WITHDRAWN.

SCP-FOUR

TDTG: 160845Z

RELAYED TO OTTAWA AT 171229Z

2. Memorandum for the President from the Acting Secretary of State, dated May 18, 1961

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.



DEPARTMENT OF STATE
WASHINGTON

E.S.S. per, Presid

Rec'd 1st June '61

May 18, 1961

MEMORANDUM FOR THE PRESIDENT

Subject: Background of Statements by American Representatives in Korea

On the morning of May 15 during the early hours of the Korean coup, General Carter Magruder, Commander in Chief, UN Command, Republic of Korea, issued a statement calling on all military personnel under his command to support the Government of the Republic of Korea headed by Prime Minister Chang Myon and restore order in the Korean armed forces. This statement was made in collaboration with our Chargé d'Affaires, Marshall Green, whose parallel statement fully concurred in General Magruder's position and emphasized that the United States supports the constitutional government of the Republic of Korea as elected by the Korean people and duly constituted under legal procedures.

These statements were not authorized in advance by the Department of State; but in the Korean context, they were justified as affirmations of established policy for the purpose of strengthening and maintaining democratic institutions. The United States enjoys an unusual role in Korea because of our long association with the country as liberator, defender, and source of economic and military support. The Korean people and government, since the founding of the Republic, have continued to look to the United States for guidance in hours of crisis. Public statements by our Embassy at Seoul during the April 1960 revolution were extremely important in preventing further bloodshed during the student demonstrations and in preparing for an orderly transfer of power from the Rhee administration to that of the interim government under Korean constitutional procedures. The Department of State believes that it is especially important that the Republic of Korea maintain its adherence to democratic procedures and constitutional processes, which are among the Republic's chief assets in its struggle against Communism. In these circumstances, it was a proper decision to throw our influence on the side of the legitimate government, in the belief that the domestic forces supporting this government would be strengthened. Not to have done so would have strengthened the revolutionists' hand.

General Magruder has also informed us that his statement and that of the Chargé d'Affaires were made on the advice of General Lee Han Lim in order to help hold the First ROK Army in its position on the demarcation line and in an effort to prevent those neutrally inclined from joining the insurgents' cause. General Magruder has noted that these statements emphasized the need of the ROK to return to civilian constitutional government as soon as possible and remove the Army from any political power struggle. General Magruder has also commented that apparently these statements had some effect, which could not be expected, however, to endure indefinitely.

Our representatives in Korea also felt that it was necessary for the United States Government immediately to make clear that it was not involved in a revolutionary group, in order to forestall speculation such as the rumors prevalent in France following the abortive coup of rightist forces in Algeria.

Acting Secretary

3. Cable from Marshall Green to the Secretary of State, dated May 19, 1961

DRAFT TELEGRAM

Department of State *Korean War*

14

~~OFFICIAL USE ONLY~~Control: 12556
Rec'd: MAY 19, 1961
2:14 PM

FROM: SEOUL

TO: Secretary of State

NO: 1585, MAY 19, 7 PM

PRIORITY

FOLLOWING ARE EXCERPTS FROM ARTICLE IN HANGUK ILBO TODAY UNDER WASHINGTON DATELINE WHICH TYPICAL OF DISTORTION OF USG'S POSITION WHICH BEING SPEWED THROUGH KOREAN PRESS AT PRESENT:

ARTICLE ENTITLED "US WELCOMES RESIGNATION OF CHANG GOVERNMENT" STATES KENNEDY ADMINISTRATION, "WHICH ALREADY BURDENED HEAVILY WITH VARIOUS INTERNATIONAL PROBLEMS.....WELCOMED NEWS OF FORMAL RESIGNATION OF FORMER GOVERNMENT OF ROK." "...EVEN ASSISTANT SECRETARY MC CONAUGHEY, REPUTED AS ONE WHO NURTURED FORMER CHANG REGIME, WAS REPORTED AS SAYING THAT HE WAS 'TIRED OF' CHANG'S PLEAS TO US GOVERNMENT ON ALL EVENTS OF KOREA'S INTERNAL UNREST. THIS REPORT WAS LEAKED OUT BY SOME OF HIS AIDES. UNDER SUCH CIRCUMSTANCES, US APPARENTLY GAVE UP ANY EFFORTS TO RECOVER OUSTED REGIME FROM MOMENT MILITARY REVOLUTION BEGAN.....CLOSE FRIENDS OF PENTAGON AUTHORITIES HAVE REPORTED THAT INFLUENTIAL GENERALS HAVE COVERTLY EXPRESSED WELCOMING ATTITUDE SINCE SMOOTH SUCCESS OF MILITARY REVOLUTION.....KENNEDY ADMINISTRATION, ADVOCATING 'NEW FRONTIER' POLICY, HAS ABUNDANT UNDERSTANDING OF EMERGENCY MEASURES NEEDED IN ANY CRISIS IN UNDER-DEVELOPED COUNTRIES TO MAKE THEM PREPARED FOR STRONGER AND HEALTHIER DEMOCRACY. STATE DEPARTMENT'S ATTITUDE SWIFTLY TOOK COURSE OF AVOIDING INVOLVEMENT IN GREEN AND MAGRUDER STATEMENTS "OPPOSING" MILITARY REVOLUTION. DEPARTMENT WAS ALREADY PREPARED TO ADMIT REVOLUTIONARY COMMITTEE AS FAIT ACCOMPLI, AND TO RECOGNIZE GOVERNING BODY IN KOREA. MAGRUDER'S 'ALMOST IMPERATIVE STATEMENT' WAS NEGLECTED BY WASHINGTON AUTHORITIES....."

SGC

GREEN

~~UNCLASSIFIED~~~~OFFICIAL USE ONLY~~REPRODUCTION FROM THIS COPY IS
PROHIBITED UNLESS "UNCLASSIFIED"

4. Drafts of record of action of the National Security Council, summary and revision of recommendations of Task Force Report on Korea, dated June 12 and 13, 1961 and documents and summaries of documents relating to Korean-American relations, 1961-63

Final Version
June 13

June 12, 1961

(For discussion at meeting at White House
at 4 P.M. on June 12, 1961)
SUMMARY AND REVISION OF RECOMMENDATIONS

OF
TASK FORCE REPORT ON KOREA

- a. U.S. goals with respect to the Korean economy should include:

(1) reversal of the present downward trend in the rate of economic growth and establishment of a specific target of an average annual growth rate for the first five-year plan of the order of five per cent per year (rate in 1960: 2.3 per cent); (2) reduction of the present unemployment and underemployment rate (estimated at 35 per cent) to a realistic lower figure within a specified number of years; (3) the raising of average real farm income by a specified average annual rate; and (4) consistent with (1)-(3) above, reduction of the present wide gap between imports and exports (\$30 million v. \$345 million) in a staged progression toward an eventual balance in Korea's international accounts. While the Koreans must establish and take responsibility for their own goals, the U.S. can, having defined its goals, help advise the Koreans toward goals that are realistic and consistent with our own.

- b. The following actions based upon the recommendations in the report should be undertaken:

Category I: U.S. Actions to be Undertaken Immediately

1. The new U.S. Ambassador to Korea should undertake early discussions with the appropriate leaders of the Supreme

DECLASSIFIED

- 1 - E.O. 11152, Sec. 3(E) and 5(D) or (E)
NSC State et al NLK-75-69-74
By INED NARS Date 8/25/75

Council for National Reconstruction along the lines described in pars. a and c through e (pp. 5-6) of the report.

2. With reference to paragraph b (p. 5), In these early discussions and subsequently the Ambassador should seek to create a gradual recognition among the leaders of the Supreme Council that it is in their interest and in the interest of their country that they from time to time publicly reaffirm their intention eventually to restore representative government and constitutional liberties; and that failure over the long run to demonstrate their good faith in this matter will compromise them in the eyes of the people of the United States and other Free World countries and in the United Nations.
3. Provided assurances are given in respect to the matters to be discussed under 1 and 2 above and that discussions are started immediately with respect to certain essential reforms, including the completion of fiscal, foreign exchange and stabilization reforms, the rationalization of the corporate structure and rates in the power and transportation industries, and the bringing into production of certain factories already built; and provided the Ambassador is satisfied with such initial evidences of Korean willingness and capacity to carry out mutually agreed plans and programs, then the Ambassador is authorized:

- (a) to invite the Chief of Government to Washington for an informal "working" visit including conferences with the President and the Secretary of State;
 - (b) to indicate U.S. willingness to release approximately \$28 million in remaining defense support funds for FY 1961;
 - (c) to state that the U.S. is willing to enter into agreed commitments for specific projects in connection with a long-term plan for expansion of the power industry, immediately upon appropriation of funds; and
 - (d) to indicate U.S. willingness to support through U.S. aid the expansion and intensification of the National Construction Service on a long term basis.
4. The Ambassador should offer technical experts to assist the Korean Government in preparation of its Five-Year Development Plan.
5. The Ambassador is authorized to state that, provided substantial progress is made in the next few months, the United States will be prepared to provide resources to the Korean Government to help carry out its Five-Year Development Plan.

6. The Director of the International Cooperation Administration should take immediate measures to improve the administration of the United States Operations Mission in Korea, including action to concentrate the U.S. effort on the most essential projects and to reduce or eliminate others.

Category 2: Subsequent U.S. Actions

7. Upon a determination of the Secretary of State that the Korean Government is sufficiently stable and cooperative to justify provision of long-range development assistance to it, the actions specified in pars. a through d (pp. 7-8) should be taken, including the appointment of a Special Envoy of the highest stature to visit Korea at a time recommended by the Ambassador. The Envoy will be accompanied by a group of economic advisers.
8. Subject to concrete action by the Korean Government to increase electric power rates, consolidate the power companies and eliminate power losses, announce U.S. willingness to provide, subject to Congressional appropriation, the external resources required to carry out an agreed five year plan of electric power development, including

implementation of the Chungju hydro-electric project.*

In addition announce that Korean power requirements for the next ten years will be further reviewed and the level of U.S. support re-examined following development of an adequate Korean Five Year Development Plan.

9. The Secretaries of State and Defense should conduct an urgent review of the force and equipment levels of Korean Armed Forces, including in the first instance a military assessment of (a) the missions of these forces, in the context of over-all Far East strategy and of the anticipated deployment and use of U.S. forces; and (b) the strategic implications of alternative force and equipment structures, including the possibility of a substantial reduction in forces. Such a military assessment should then be keyed to political and economic factors, to produce a recommendation for long-term force goals and for immediate actions, as necessary and practical, to move toward these goals.

* The U.S. is currently seeking discussions with the Korean Government of a five year power program involving the construction of 404,000 kw of additional generating capacity. A very rough estimate of the total foreign exchange costs over a five year period of such a program would be \$150 million. These discussions are intended solely to achieve agreement on the kind of program required without commitment as to financing.

10. U.S. military personnel should be directed to encourage and support greater participation by Korean armed forces in the work of the National Construction Service and in other appropriate civil works projects. The review referred to in 9 above should also include the preparation, and the assessment of the economic and military implications of, a program to place far greater stress than heretofore on the training of Korean military personnel in skills and vocations which will permit them to make a greater contribution to the development of Korean infrastructure and the civilian economy.
11. The improvement of Japanese-ROK relations, along the lines called for in par. f (p. 9), should be discussed with the Japanese Prime Minister during his visit to Washington and should be urged upon the new regime in Korea.
12. The Director of the U.S. Information Agency should arrange for USIS to assist the Korean Government, as may be appropriate, in defining and propagating national ideals and goals and in improving the Korean image abroad.

Category 3: Required Korean Actions

13. The following basic requirements must be pressed upon the Koreans from the outset if they are to achieve meaningful progress and to make profitable use of U.S. development assistance:

- (a) Formulation and implementation of a National Development Plan, with short-range, measurable elements susceptible of prompt fulfillment;
- (b) Consideration of the preconditions for the eventual return to civilian rule;
- (c) Assurances that the new regime does not interfere with CINCUNC in the discharge of its military responsibilities;
- (d) Endorsement by deed and word of the constitutional freedoms of individuals to the maximum extent consistent with the emergency nature of the government, and avoidance of promiscuous abuse of power, blood-purges, or other excesses;
- (e) Undertaking of long-range social planning including definition and public promulgation by national leaders of national goals and ideals; reform of civil service and police (including salary increases); achievement of better relations with students, intellectuals, and the press; and enhancement of Korea's national image.
- (f) Formulating and implementing a thorough anti-corruption program along the lines outlined in Appendix B to the report.

SUMMARY AND REVISION OF RECOMMENDATIONS
OF
TASK FORCE REPORT ON KOREA *

(Including pertinent Task Force references per Secretary's Request)

Category 1: U.S. Actions to be Undertaken Immediately

1. The new U.S. Ambassador to Korea should undertake early discussions with the appropriate leaders of the Supreme Council for National Reconstruction along the lines described in paragraphs a and c through e (pp. 5-51) of the report.

1/Task Force Report reference:

- "a. To inform them that the U.S. is prepared to deal on a friendly and cooperative basis with the new regime;
 - "c. To affirm the intention of the U.S. to continue supporting assistance to the civilian economy and defense establishment;
 - "d. To make clear that higher levels of assistance to support a National Development Plan will be provided only as the Korean Government enters into and carries out firm and specific commitments for reform, including certain reforms which have been under consideration for a long time. In this connection, the U.S. is prepared to offer technical and managerial experts to the Supreme Council;
 - "e. To obtain renewed assurances that the SCNR will recognize the authority of CINCIN to exercise operational control over the Korean Armed Forces, as a constituent element of the UN Command."
2. With reference to paragraph b (p.52), in these early discussions and subsequently the Ambassador should seek to create a gradual recognition among the leaders of the Supreme Council that it is in their interest and in the interest of their country that they from time to time

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
 NSC, State et al NLK-75-69-74
 By MFO HARS Date 7/15/75

* Subcommite note: This is a draft of Record of Action Number 2430 of the National Security Council in its 485th meeting on June 13, 1961

publicly reaffirm their intention eventually to restore representative government and constitutional liberties; and that failure over the long run to demonstrate their good faith in this matter will compromise them in the eyes of the people of the United States and other Free World countries and in the United Nations.

2/Task Force Report reference:

- "b. To impress on them that it is in their own national interest that the Supreme Council publicly and repeatedly reaffirm its adherence to the principle of representative government and constitutional liberties and its intention to restore these at the earliest possible time; and that the failure to demonstrate their good faith in this matter will ultimately compromise them in the eyes of the free world and of the people of the United States, and in the forum of the United Nations."
- 3. The Ambassador is authorized to invite the Chief of Government to Washington for an informal visit including conferences with the President and the Secretary of State.
- 4. Provided assurances are given in respect to the matters to be discussed under 1 and 2 above and that the Korean Government undertakes actions immediately with respect to certain essential reforms, including the completion of fiscal, foreign exchange and stabilization reforms, the rationalization of the corporate structure and rates in the power and transportation industries, and the bringing into production of certain factories already built; and provided the Ambassador is satisfied with evidences of Korean willingness and capacity to carry out mutually agreed plans and programs, then the Ambassador is authorized:

- (a) to indicate U.S. willingness to release approximately \$28 million in remaining defense support funds for FY 1961;
 - (b) to state that the United States is willing to enter into agreed commitments for specific projects for expansion of the power industry, immediately upon appropriation of funds;
 - (c) to indicate U.S. willingness to support through U.S. aid the expansion and intensification of the National Construction Service on a long-term basis;
 - (d) to offer technical experts to assist the Korean Government in preparation of its Five-Year Development Plan; and
 - (e) to state that, provided substantial progress is made in the next few months, the United States will be prepared to provide resources to the Korean Government to help carry out a Five-Year Development Plan. As a long-term policy, U.S. influence should be reinforced by making economic development assistance (as distinguished from supporting assistance) available in increments which can be withheld in the event of Korean failure to carry out agreed programs.
5. The Director of the International Cooperation Administration should take immediate measures to improve the administration of the United States Operations Mission in Korea, including action to concentrate the U.S. effort on the most essential projects and to reduce or eliminate others.

Category 2: Subsequent U.S. Actions

6. Upon a determination of the Secretary of State that the Korean Government is sufficiently stable and cooperative to justify provision of long-range development assistance to it, the actions specified in paragraphs a through d (pp. 7-8^{3/}) should be taken, including the appointment of a Special Envoy of the highest stature to visit Korea at a time recommended by the Ambassador. The Envoy will be accompanied by a group of economic advisers to perform functions along the lines of those described in Appendix A to the report, including assistance in the definition of Korean economic goals. While the Koreans must establish and take responsibility for their own goals, the United States can, having defined its goals, help advise the Koreans toward goals that are realistic and consistent with our own. The economic goals which the United States should seek to achieve in Korea include: (1) reversal of the present downward trend in the rate of economic growth and establishment of a specific target of an average annual growth rate for the first five-year plan (rate in 1960: 2.3 per cent); (2) reduction of the present unemployment and underemployment rate (estimated at 35 per cent); (3) increase in average real farm income; and (4) consistent with (1)-(3) above, reduction of the present wide gap between imports and exports (\$30 million v. \$45 million) in a staged progression toward an eventual balance in Korea's international accounts.

3/Task Force Report reference:

- "a. Authorize the Secretary of State to determine when the Korean Government is sufficiently stable and cooperative to justify long-range development assistance.
 - "b. Upon such finding, and at a time recommended by the Ambassador, appoint a Special Envoy of the highest stature to visit Korea. This envoy would be accompanied by a group of economic advisers and would carry out the terms of reference set forth in Appendix A.
 - "c. Announce, on the recommendation of the Special Envoy and the Ambassador, the readiness of the U.S. to make available, in concert with other nations of the Free World, external resources to support a Korean Five-Year National Development Plan.
 - "d. Authorize the Secretary of State to explore, with nations most likely to make a contribution to Korean development (e.g., Japan and Germany) their willingness to contribute to such a program."
7. Subject to concrete action by the Korean Government to increase electric power rates, consolidate the power companies and eliminate power losses, announce U.S. willingness to provide, subject to Congressional appropriation, the external resources required to carry out an agreed five-year plan of electric power development. In addition announce that Korean power requirements for the next ten years will be further reviewed and the level of U.S. support re-examined following development of an adequate Korean Five-Year Development Plan.
8. The Secretaries of State and Defense should conduct an urgent review of the force and equipment levels of Korean Armed Forces, including in the first instance a military assessment of (a) the missions of these forces, in the context of over-all U.S. Far East strategy and in the light of the Communist threat and of the anticipated deployment

*The United States is currently seeking discussions with the Korean Government of a five-year power program involving the construction of 400,000 kw of additional generating capacity. A very rough estimate of the total foreign exchange costs over a five-year period of such a program would be \$150 million. These discussions are intended solely to achieve agreement on the kind of program required without commitment as to financing.

- and use of U.S. forces; and (b) the strategic implications of alternative force and equipment structures, including the possibility of a substantial reduction in forces. Such a military assessment should then be keyed to political and economic factors, to produce a recommendation for long-term force goals and for immediate actions, as necessary and practical, to move toward these goals. This review should be completed in time for use as a basis for allocation of FY 1962 military assistance funds.**
9. U.S. military personnel should be directed to encourage and support greater participation by Korean armed forces in the work of the National Construction Service and in other appropriate civil works projects. The review referred to in 8 above should also include the preparation, and the assessment of the economic and military implications of, a program to place far greater stress than heretofore on the training of Korean military personnel in skills and vocations which will permit them to make a greater contribution to the development of Korean infrastructure and the civilian economy.
10. The improvement of Japanese-RCK relations, along the lines called for in paragraph f(p.94), should be discussed with the Japanese Prime Minister during his visit to Washington and should be urged upon the new regime in Korea. (It is recognized that this is an extremely sensitive issue with the present RCK regime.)

**A preliminary review by the Department of Defense is included in the report as Appendix E.

4/Task Force Report reference:

- "f. Discuss with the Japanese Prime Minister during his forthcoming visit, the U.S. planning for Korea and the ways in which economic and political differences between Korea and Japan can be bridged, despite the recent change of government. It should be understood that while the U.S. will not participate actively in negotiations, it should be prepared to act as a catalyst in seeking a settlement. The Prime Minister should be encouraged to continue efforts recently begun to develop Japanese trade with Korea, and to provide economic assistance for Korean development coordinated with American programs. It should be made clear that Japanese settlement of GARIOA is not to be related to U.S. and Japanese aid to Korea. (The U.S. should also urge the SCMR to be responsive to Japanese overtures.)"
11. The Director of the U.S. Information Agency should arrange for USIS to assist the Korean Government, as may be appropriate, in defining and propagating national ideals and goals and in improving the Korean image abroad.

Category 3: Required Korean Actions

12. The following basic requirements must be pressed upon the Koreans from the outset if they are to achieve meaningful progress and to make profitable use of U.S. development assistance:
- (a) Formulation and implementation of a National Development Plan, with short-range, measurable elements susceptible of prompt fulfillment; and in conjunction therewith, undertaking long-range social planning including definition and public promulgation by national leaders of national goals and ideals; reform of civil service and police (including salary increases); achievement of better relations with students, intellectuals, and the press; and enhancement of Korea's national image;

- (b) Consideration of the preconditions for the eventual return to civilian rule;
- (c) Assurances that the new regime does not interfere with CINCUNC in the discharge of its military responsibilities;
- (d) Endorsement by deed and word of the constitutional freedoms of individuals to the maximum extent consistent with the emergency nature of the government, and avoidance of promiscuous abuse of power, ex post facto laws, blood-purges, or other excesses;
- (e) Protection of the rural population against the exorbitant interest rates of the money-lenders; and
- (f) Formulating and implementing a thorough anti-corruption program along the lines outlined in Appendix B to the report..

INCOMING TELEGRAM

Department of State

Kew 15

~~LIMITED OFFICIAL USE~~~~UNROUTINED~~

Control:

12371

Rec'd:

MAY 19, 1961

11:07 AM

FROM: SEOUL

TO: Secretary of State

NO: 1586, MAY 19, 10 PM

NIACT

SENT DEPARTMENT 1586, REPEATED INFORMATION PRIORITY CINCPAC
PRIORITY 268, TAIPEI PRIORITY 57, SAIGON PRIORITY 32, TOKYO
UNNUMBERED.

DEPARTMENT PASS DA, CNO AND AFCIN

CINCPAC FOR POLAD.

PRESIDENT YUN PO-SUN HAS JUST ANNOUNCED HIS RESIGNATION AND BROADCAST OVER LOCAL RADIO AT 2100 HOURS TONIGHT. AT APPROXIMATELY SAME TIME ANNOUNCEMENT MADE, PRESIDENT'S SECRETARY YI TELEPHONED POLITICAL COUNSELOR CONFIRMING RESIGNATION. YI STATED THAT PRESIDENT'S INITIAL EFFORTS FOLLOWING COUP HAD BEEN DIRECTED TO PREVENTING BLOODSHED. NOW THAT FIRST STAGE OF COUP PAST, PRESIDENT WAS ACCEPTING POLITICAL AND MORAL RESPONSIBILITY BY RESIGNATION. PRESIDENT'S STATEMENT NOW BEING TRANSLATED AND WILL FOLLOW UNCLASSIFIED.

GREEN

SGC

NOTE: OSD, DA, CNO, AFCIN 5/19/61 11:40 AM EGL

Advance copy to Mr. Manhard's office (NA), 12:45 p.m., 5/19/61.
CWO/m

The following is a summary of a portion of a State Department message to U.S. Embassy Seoul of mid-May, 1961:

The Embassy reported that due to irresolution on the part of certain key Korean government officials and the apparent indifference on the part of the general public to the fate of the Chang government, the ability of the United States to exert any influence on behalf of the government appeared limited and the Embassy was adopting an attitude of "wait-and-see."

The following is a summary of a portion of a U.S. Embassy Seoul message of mid May, 1961:

The Embassy reported that it had taken a position supporting "lawful procedure and constitutional means" and would use its powers of persuasion to have military forces removed from Seoul and otherwise provide a climate in which all involved parties could discuss the future. The Embassy also noted that, while it would encourage insurgent groups to support the incumbent, the "support and the force to restore situation has to come from Koreans."

The following is a summary of a U.S. Embassy Seoul message of mid-May, 1961:

The U.S. Charge d'Affaires proposed to enter into discussions with the Korean leadership to encourage the early emergence of a broadly based Korean government of national unity which would be responsible, non-partisan and predominantly civilian in composition. The Embassy would also emphasize that any government having the support of the United States, in addition to being determined to defend Korea against communist aggression in cooperation with the United Nations Command, would be in the Free World camp, recognize existing treaties, restore ROK Armed Forces to operational roles and control of the United Nations Command, release all political prisoners and undertake no political retaliatory actions, work to eliminate corruption, and promote economic stability and development. The Embassy proposed that United States Government policies and statements emphasize its support of these goals.

The following is quoted from a U.S. Embassy Seoul message of late May, 1961:

Tempo of events within ROK now slowing down, at least temporarily. Complete civil structure throughout nation appears under firm control of ROK military elements. Within Seoul and other major Korean cities attitude of apathy or passive acquiescence to coup and subsequent formation of junta still characteristic. There now seems however to be note of apprehension and circumspection in public attitudes and discussions, brought about doubtlessly by more rigid security measures and controlled communications media. (Press has not carried news arrest Chang Cabinet Members, and extent public knowledge this action unknown.)

The following is a summary of portions of a U.S. Embassy Seoul message of late May, 1961:

The Embassy reported that it has reviewed the position of the United States with a number of Korean leaders following the coup, but had seen little evidence that its message was getting through to the core of the military junta with the exception of its call that relationships with the United Nations Command had to be restored quickly. The Embassy judged that when the "parades and rallies are over," the Korean leadership would have to face stern economic facts and might be more amenable to the viewpoint of the United States.

The following is a summary of a portion of a U.S. Embassy Seoul message of late May, 1961:

The Embassy reported that it had informed a senior Korean government official that it felt that resentment would grow against any government that sought too long to arrogate unto itself the right to speak for the people, and that a time limit (possibly three months) should be set on any provisional arrangements. Therefore, some guarantee should be made for a further referendum, or even better, an election in the not-too-distant future.

The following is quoted from a U.S. Embassy Seoul message of late May, 1961:

Current situation seems to be one in which Koreans, in face of martial law, rigorous controls on press and speech, and widespread measures of intimidation, have accommodated themselves to coup and hope that it may provide opportunity for emergence more stable and effective government. They have not, however, accepted military rule as a way of government and our actions and advice should be directed toward objective of restoring civil authority.

INCOMING TELEGRAM *File # 30*
 II-H ALK 78-937

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Action

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~~CONFIDENTIAL~~
~~UNCLASSIFIED~~

Control: 13503

Rec'd: JUNE 19, 1961

1:10 P.M.

FROM: SEOUL

TO: Secretary of State

NO: 1854, JUNE 19, 10 P.M. (SECTION ONE OF TWO)

SENT DEPARTMENT 1854, REPEATED INFORMATION TOKYO 469, CINCPAC 380

CINCPAC FOR POLAD

DURING PAST WEEK EMBOFF'S FIELD TRIP THROUGH SOUTHERN PROVINCES INCLUDING CITIES PUSAN AND KWANGJU PROVIDED OPPORTUNITY FOR ASSESSMENT MAJOR DEVELOPMENTS AND PUBLIC ATTITUDES THOSE AREAS DURING MONTH FOL COUP.

MIL OFFS INSTALLED IN HIGHER CIVIL GOVT POSITION APPEARED TO BE INDIVIDUALS OF CONSIDERABLE ABILITY, DEDICATED TO ELIMINATION OF EVILS WHICH HAVE LONG PERMEATED KOREAN SOCIETY, AND ANXIOUS TO WORK WITH US TO THIS END. THEY BRING GREAT INTEREST AND CONSIDERABLE EXPERIENCE IN ADMIN PRACTICES AND IN THIS FIELD NEW GOVT SEEMS TO BE MAKING GOOD PROGRESS. SEVERAL INDEPENDENT OBSERVERS TESTIFIED TO INCREASES IN SPEED AND HONESTY WITH WHICH ADMINISTRATIVE MATTERS ARE NOW HANDLED BY GOVT OFFICES, AND IT IS IN SUCH MATTERS AS IMPROVED TRAFFIC CONTROLS, SANITATION MEASURES, TAX COLLECTIONS, ETC., THAT REALLY STARTLING IMPROVEMENTS HAVE BEEN REALIZED. IN DISCUSSING THEIR PLANS AND PROBLEMS, MILITARY ADMINISTRATORS WERE CORDIAL AND APPARENTLY STRAIGHT FORWARD CONCERNING FUTURE POLICIES, MILITARY ADMINISTRATORS ALMOST WITHOUT EXCEPTION STRESSED NECESSITY OF RAISING CIVIL SERVANT AND POLICE SALARIES TO LEVELS WHICH WOULD ENABLE THESE INDIVIDUALS LIVE WITHOUT ACCEPTING BRIBES; UNLESS THIS ACCOMPLISHED SOON THEY FELT THAT ROT OF CORRUPTION WOULD AGAIN OCCUR. SEVERAL INDIVIDUALS ALSO URGED NECESSITY OF GREATER DECENTRALIZATION OF AUTHORITY FROM SEOUL TO PROVINCIAL AND MUNICIPAL AUTHORITIES; IN THIS CONTEXT, HOWEVER, IT SIGNIFICANT THEY DID NOT BROACH IDEA OF GIVING /REPRESENTATION

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-2- 1854, JUNE 19, 10 P.M. (SECTION ONE OF TWO) FROM SEOUL

REPRESENTATION TO ANY POPULARLY ELECTED PROVINCIAL OR MUNICIPAL REPS.

DESPITE ADMIN IMPROVEMENTS INSTITUTED BY NEW GOVT, HOWEVER, EXTREME NATURE OF SOME ACTIONS COMBINED WITH SHARP ECON CONTRACTION HAS CAUSED WIDESPREAD APPREHENSION IN MORE SOPHISTICATED ELEMENTS POPULATION AND SOME DISTRESS.

GOVT ACTIONS LEADING TO THIS STATE ACUTE UNEASINESS AND CONTRIBUTING TO ECON PANIC INCLUDE: (1) LARGE SCALE ARRESTS OF ALLEGED LEFTISTS, ILLEGAL PROFITEERS, AND RACKETEERS IN IMMEDIATE POST-COUP PERIOD. ALTHOUGH SOME FAMILIES HAVE BEEN PERMITTED SEND IN FOOD, PRISONERS HAVE OTHERWISE BEEN HELD VIRTUALLY INCOMMUNICADO AND THERE IS NERVOUSNESS REGARDING THEIR TREATMENT AND EVENTUAL DISPOSITION. (2) POLICE ARE NOTICABLY HARSH IN DEALING WITH PUBLIC. NOT CLEAR WHETHER THIS PRIMARILY REFLECTS PRESSURES FROM ABOVE OR SOME MEASURE RETALIATION AFTER YEAR IN WHICH POLICE WERE TARGET POPULAR DISLIKE. (3) GOVT'S ACTIONS IN DEMOLISHING UNAUTHORIZED SHACKS ON OUTSKIRTS CITIES AND REQUIRING SMALL PEDDLERS WITHDRAW THEIR CARTS FROM FORMER LOCATIONS IN MAIN STREETS AND MARKETS IMPOSED REAL HARSHIPS ON THESE GROUPS WHICH, UNDER BEST OF CIRCUMSTANCES, EKE OUT MARGINAL EXISTENCE. (DEMOLITION SHACKS WAS STOPPED SOME TIME AGO BUT EVICTED INHABITANTS REMAIN, IN MOST CASES AS PUBLIC CHARGES.) (4) DRASTIC LAW ENFORCEMENT OPERATIONS SUCH AS WHOLESALE SEIZURES IMPORTED AND PRESUMABLY SMUGGLED GOODS AND IMPRISONMENT OF NUMEROUS MERCHANTS AND SEAMEN SUSPECTED PARTICIPATING SMUGGLING OPERATIONS. MOST EXTENSIVE OPERATION THIS SORT OCCURRED JUNE 14-15 AT MASA, WHICH IS NOTORIOUS CENTER FOR SMUGGLING, AND RAIDS IN PUSAN HAVE LED TO CLOSURE CONSIDERABLE NUMBER STORES IN DOWNTOWN SHOPPING AREA. (5) ANNOUNCEMENT OF LAW TO LIMIT INTEREST RATES TO BE CHARGED ON FARMER'S DEBTS HAD SHORT RANGE EFFECT OF VIRTUALLY DRYING UP CREDIT IN COUNTRYSIDE. MONEY LENDERS HAVE BEEN UNWILLING MAKE LOANS SINCE THAT TIME.

ALL INFORMANTS AGREED THAT IN URBAN AREAS THERE IS NOW ECON STAGNATION AND THAT UNLESS EARLY STEPS TAKEN TO REMEDY SITUATION /THERE WILL

INCOMING TELEGRAM

Department of State

30

7

~~CONFIDENTIAL~~

Action

Control: 13504
Rec'd: JUNE 19, 1961
1:10 PM

FE FROM: SEOUL

Info

SS TO: Secretary of State
G
SP NO: 1854, JUNE 19, 10 PM (SECTION TWO OF TWO)L
H
IOE SENT DEPARTMENT 1854, REPEATED INFORMATION TOKYO 469, CINCPAC
BFAC 380.BIGC
ICA

P CINCPAC FOR POLAD

US IA

TF AUTHORITIES HAVE TAKEN SOME STEPS TO REDUCE DISTRESS BUT PRO-
NSC VINCIAL AND MUNICIPAL AUTHORITIES APPARENTLY FEEL THAT FURTHER
INR SWEEPING MEASURES NECESSARY. ACTIONS REPORTEDLY ALREADY TAKEN
CIA INCLUDE: (A) LOANS AVERAGING ABOUT 10,000 HWAN PER FARM FAMILY
NSA WERE RELEASED THROUGH AGRICULTURAL BANK AND/OR AGRICULTURAL
OSD COOPERATIVES, (B) LAGGING NATIONAL CONSTRUCTION PROGRAM WAS
ARMY SPEEDED UP WITH NUMEROUS PROJECTS INSTITUTED AS OF MAY 22-23,
NAVY COUPLED WITH INTENSIFIED AND REASONABLY EFFECTIVE EFFORTS TO PUT
AIR WAGE PAYMENTS ON CURRENT BASIS, AND (C) FREE GRAINS WERE
COM DISTRIBUTED TO POORER FARMERS. THE GOVERNOR SOUTH KYONGSANG
RMR AND MAYOR PUSAN ADVOCATED THESE FURTHER STEPS AS WELL:(A) GOVT ACTION TO REHOUSE INDIVIDUALS WHOSE SHACK HOMES HAD
BEEN DEMOLISHED AND TO PROVIDE SPECIAL MARKET AREAS FOR PUSHCART
VENDORS, (B) SPECIAL BANK CREDITS TO PROVIDE WORKING CAPITAL
FOR OPERATION FACTORIES, AND (C) REDUCED ELECTRICITY RATES AS
PRINCIPAL MEANS PUTTING FACTORY OPERATIONS ON PROFITABLE BASIS.COMMENT: THERE IS MARKED VARIATION IN ATTITUDES TOWARD NEW GOVT
BETWEEN RURAL AND URBAN AREAS. FARMERS, GENERALLY POLITICALLY
INERT AND PRIMARILY CONCERNED WITH THEIR IMMEMORIAL TASKS,
APPEAR FAVORABLY DISPOSED NEW GOVT. POLICE RESTRICTIONS DO NOT
AS YET BEAR HEAVILY UPON THEM, THEY HAVE RECEIVED ADEQUATE
SUPPLIES FERTILIZER, LIMITED BUT TEMPORARILY SUFFICIENT CREDIT
HAS BEEN PROVIDED, AND THE STEP UP IN NATIONAL CONSTRUCTION
SERVICE PROJECTS-COINCIDING WITH BUSY FARMING SEASON HAS

-2- 1854, JUNE 19, 10 PM FROM SEOUL (SECTION TWO OF TWO)

RESULTED IN ACTUAL MANPOWER SHORTAGE WITH EMPLOYMENT OPPORTUNITIES FOR ALL. WHILE THEY HAVE DOUBTS REGARDING WORKABILITY INTEREST RATE LIMITATION LAW THEY REGARD GOVT'S ACTION AS INDICATION GENUINE CONCERN THEIR WELFARE AND ARE ACCORDINGLY APPRECIATIVE. ALL THIS IN HOPEFUL ATMOSPHERE OF EARLY SUMMER WITH APPARENTLY GOOD BARLEY AND WHEAT CROPS COMBINED PRODUCE FAVORABLE ATTITUDE.

URBAN ATTITUDE, ON OTHER HAND, IS ONE OF DOUBT AND APPREHENSION. SEVERAL PERSONS WHO SAID THEY HAD SUPPORTED COUP BECAUSE THEY CONSIDERED CHANG MYON GOVT WAS INCAPABLE DEFENDING COUNTRY AGAINST COMMUNISTS AND HAD FAILED ROOT OUT CORRUPTION INDICATED TO EMB OFF CONCERN AND EVEN BITTERNESS TOWARD NEW GOVT. IMPRESSION IS THAT THERE IS LITTLE RAPPORT BETWEEN GOVT AND INTELLECTUALS, THAT GENERAL PUBLIC IS APPREHENSIVE BUT STILL UNCERTAIN, AND THAT GENERAL INTIMIDATION PROBABLY PREVENTS EXCHANGE OF REAL VIEWS SITUATION EXCEPT AMONG MOST INTIMATE FRIENDS. ONLY CONCERN REGARDING BUSINESS AND ECON PROSPECTS ARE OPENLY VOICED. BASIC QUESTIONS TO WHICH URBAN PUBLIC NOW SEEKING ANSWERS ARE: (1) HOW FAR WILL GOVT PUSH REPRESSIVE MEASURES? (2) HOW LONG WILL MILITARY AUTHORITIES HOLD ON TO POWER?

FIRST QUESTION IS PROBABLY MATTER IMMINENT CONCERN AT ALL LEVELS SOCIETY WHILE INTEREST ON LATTER POINT, AS YET, MAY BE CONFINED PRINCIPALLY TO EDUCATED STRATA POPULATION.

GREEN

KEA

-3- 1854, JUNE 19, 10 P.M. (SECTION ONE OF TWO) FROM SEOUL

THERE WILL SHORTLY BE REAL DISTRESS. CONTRACTION IS MOST NOTICABLE IN RETAIL SECTORS ECON WITH COFFEE HOUSE VIRTUALLY DESERTED, RESTAURANTS OPERATING AT FRACTION CAPACITIES, BUSES AND JITNEYS HALF FILLED, AND MARKET PLACES STAGNANT. MOREOVER, REPORTED ON GOOD AUTHORITY THAT MANY FACTORIES NOW CLOSED AND THAT THOSE STILL OPEN ARE OPERATING AT ONLY PARTIAL CAPACITY WHICH IN CLIMATE OF APPREHENSION AND UNCERTAINITY INDIVIDUALS ARE REPEATEDLY INCLINED AVOID EXPENDITURES AND KEEP THEIR FUNDS IN PRIVATE HOARDS.

GREEN

JH

The following summary and quotes are taken from a U.S. Embassy Seoul message of mid-June, 1961:

The American Charge d'Affaires in Seoul reported that based on his recent conversations with leaders of the Korean government, he had concluded that the military junta had no intention of relinquishing power to civilian authority for a long time, perhaps years. He added:

"Junta outwardly appears confident that US gives and will give it full support, and indeed increased economic aid, as long as junta demonstrates it is clearly anti-communist. Up to present, junta's principal argument for full or increased US support, usually made in private conversations, is that this will help put government in strong position from which it (especially younger military officers will feel they) can afford be less repressive and more attentive to broadening base of government. In absence full support and assistance in future, however, junta will seek to intimidate US into giving such support on grounds that only alternative to continuation of junta is a communist takeover."

He recommended to the Department that "we should continue along general policy lines which we have pursued over (the) past several weeks. Although many of our counsels seem to have been ignored, I nevertheless feel that our efforts have not been all in vain. We have undoubtedly averted perpetrations of greater excesses by (the) regime. Moreover, US press and congressional reactions have not gone unnoticed, and ROKG leaders are acutely aware of (the) necessity for continued military and economic aid from us. Despite surface appearances, (the) junta is probably far from feeling secure." He notes that this feeling of uncertainty is probably the most useful short-range means of preventing the Korean leadership ~~of~~ from ignoring the rights and welfare of the Korean people, and influencing it to move in the direction of positive programs for

coping with national problems which could enlist true public support. He opines: "Under these conditions, a position of friendly reserve is infinitely preferable to expressions of complete confidence and support which reduce our ability to influence (the) situation and, in (the) event (the) regime becomes dangerously repressive and discredited with people, (it) would resound only to (the) advantage of the ever-ready communists and to permanent detriment of US standing with the Korean people."

He concludes: "US friendship and prestige in Korea should not stand or fall with this present regime. Our time-tested friends in Korea are still the Korean people, not necessarily those few who arrogate power to speak for them, who may be corrupted by the power they too long wield, and who may fail to hold this nation's confidence and support."

The following is a summary of a portion of a U.S. Embassy Seoul message of mid-June, 1961:

In a discussion with a senior official in the new Korean government, the Charge d'Affaires emphasized that it was extremely important that the new leadership clarify its intentions with regard to four dominant considerations: (a) command relationships; (b) the new government's respect for lawful procedures and protection of human rights; (c) when and how it proposed to achieve a broadly based civilian government; and (d) its plans for promoting economic development. The Charge said that the position of the United States in relationship to Korea could not be determined until the new government had made its position explicit by deeds as well as words. He noted that the question of basic human rights was particularly urgent since there were widespread disturbing reports of arrests of government and military leaders.

The following is a summary of a portion
of a U.S. Embassy Seoul message of late,
June, 1961:

The Ambassador expressed to a senior
Korean official the concern of the
United States for economic development
and a speedy return to civilian govern-
ment. He indicated that the ability of
the United States to support the
Government of Korea would depend upon
cooperation and mutual understanding
between the two countries, and progress
made by Korea in certain areas of con-
cern to the United States. The
Ambassador was reassured that economic
reforms would continue, and that while
a date could not be set for the return
to civilian rule, the Government of
Korea had pledged to do so. Further-
more, all those in custody on political
charges would be given fair public
trials.

The following is a summary of portions of a U.S. Embassy Seoul message of late June, 1961:

In a meeting with a Korean leader, the Ambassador repeated assurances previously given that the United States was prepared to deal with the military government on a friendly and cooperative basis, and that as tangible evidence of this, the United States would immediately release \$28 million in FY 61 support assistance for the purchase mainly of fertilizer. This would be done on the basis of:

- A. Assurances were received of the government's intention eventually to restore democratic rule;
- B. Steps the new government had already taken to unify corporate structure of the utility industry and the promise to establish a rate commission in conformance of the United States' agreement with the previous government;
- C. A net reduction in the civil service by 40,000 and an increase pay to civil servants;
- D. Efforts by the new government to root out corruption; and,
- E. Initial promises to relieve farmers of onerous interest along with other constructive economic reforms.

The Ambassador specifically stated that the United States was not prepared to commit support to a development program until various reforms were actually carried out.

INCOMING TELEGRAM : Department of State

*Bundy #17
Exhibit 2 page 1*40
Action~~UNCLASSIFIED~~

SECRET NLK-78-3938

B1cs

Control: 9757

Rec'd: JULY 15, 1961

4:34 PM

E20

PE Info FROM: SEOUL

SS TO: Secretary of State

G NO: 88, JULY 15, MIDNIGHT (SECTION ONE OF TWO) *(Sent to D.C.P.
much-end 8/7/61)*

SP L H EUR PRIORITY

IO ACTION DEPARTMENT 88; INFORMATION TOKYO 45, TAIPEI 4, LONDON 4,
P USIA PARIS 5, CINCPAC 30, USUN 3.

INR CIA NSA

OSD OSD FOR POLAD.

ARMY

NAVY AIR RMR 1. WE HAVE COMPLETED OUR FIRST APPRAISAL OF EXTENT TO WHICH MILIT REVOLUTION MAY BE COMMUNIST INSPIRED OR INFLUENCED OFTEN IN DIRECTIONS WHICH WILL BENEFIT COMMUNISTS. THIS TEL SUMMARIZES CONCLUSIONS. DETAILS BY DESPATCH.

2. BALANCE OF EVIDENCE OVERWHELMINGLY INDICATES MAINSPRINGS THIS REVOLT ARE PATRIOTIC, NATIONALISTIC, AND ANTI-COMMUNIST. WHILE CERTAIN OPPORTUNIST ELEMENTS NO DOUBT ORGANIZED OR JOINED REVOLT TO ADVANCE THEIR PERSONAL FORTUNES MAIN MOTIVATIONS OF THOSE BEHIND COUP WE BELIEVE WERE :

A. DISGUST WITH ENDEMIC CORRUPTION AND TOLERANCE OF CORRUPTION IN MILITARY, IN ALL THREE BRANCHES OF GOVT, AND PERMEATING ALMOST ALL ASPECTS OF KOREAN LIFE.

B. INCOMPETENCE AND INEFFECTIVENESS OF GOVT AND AIMLESSNESS OF GOVT POLICY, AND CONSEQUENT ECONOMIC STAGNATION, PUBLIC FRUSTRATION AND SPIRITUAL DRIFTING AND CONFUSION.

C. FEAR (ALBEIT EXAGGERATED) THAT COMMUNIST SUBVERSION WAS TAKING ADVANTAGE OF (#) AND ARE GENUINELY TRYING TO TAKE CORRECTIVE MEASURES

-2- 88, JULY 15, MIDNIGHT (SECTION ONE OF TWO) FROM SEOUL

CORRECTIVE MEASURES AND TO KEEP REVOLUTIONARY ARDOR FOCUSED ON ACHIEVING DECLARED AIMS OF REVOLUTION.

4. THE POSSIBILITY THAT COMMUNIST SLEEPERS ARE MIXED IN WITH REVOLUTIONARY LEADERS OR THEIR CIVILIAN ADVISERS AND MAY EVEN OCCUPY KEY POSITIONS CANNOT BE DISCOUNTED. OUR STUDY OF BACKGROUND CERTAIN THESE LEADERS WITH PAST COMMUNIST ASSOCIATIONS SUGGEST THIS AS DEFINITE POSSIBILITY; AND THERE MAY BE OTHERS IN POSITIONS OF POWER WITH NO PAST COMMUNIST RECORD WHO ARE PLAYING COMMUNIST GAME. WE RULE OUT GEN. PAK CONG HUI IN THIS CATEGORY MAINLY BECAUSE HIS DEFLECTION FROM COMMUNISTS AND TURNOVER APPARATUS WOULD MAKE HIM VICTIM NO. 1 IF COMMUNISTS EVER TOOK POWER. WE INCLINED TREAT WITH CAUTION CHARGES (SUCH AS THOSE MADE BY LT. GEN. [REDACTED]) THAT PARTICULAR INDIVIDUALS IN MILIT GOVT ARE COMMUNIST ON GROUNDS THESE BASED ON CIRCUMSTANTIAL EVIDENCE AND MAY ALSO BE MOTIVATED BY PERSONAL BIAS AND ANIMOSITY.
5. FACT THAT COUP EFFICIENTLY STAGED AND EXECUTED AND SHOWED CLEAR UNDERSTANDING OF TECHNIQUE OF TAKING POWER IS NOT IPSO FACTO EVIDENCE THIS IS COMMUNIST PLOT. GEN. GURSEL DID SAME THING IN TURKEY, AS DID GEN. AYUB IN PAKISTAN, AND INDEED THESE REVOLUTIONS WERE INSPIRATION TO ROK COUP PLOTTERS. MOREOVER PERFECTION OF EXECUTION COULD BE EQUALLY ATTRIBUTED TO EXCELLENT MILIT TRAINING OVER YEARS GIVEN BY US FORCES TO ROK MILIT IN ORGANIZATION, LOGISTICS AND INTELLIGENCE.

6. FACT THAT SOVIET, NORTH KOREA, AND RED CHINA HAVE REACTED SO STRONGLY TO THIS REVOLUTION IS ADDITIONAL FACTOR WHICH HAS LED US TO INTERIM CONCLUSION THIS REVOLUTION NOT COMMUNIST MANIPULATED.

AM AWARE THAT COMMUNISTS CAPABLE OF UNLIMITED DUPLEXITY, BUT THERE IS SO MUCH EVIDENCE OF ANTI-COMMUNISM IN THIS REVOLUTION (E. G. NEW AND MORE SEVERE ANTI-COMMUNIST LAWS AND STEP UP IN ANTI-COMMUNIST PROPAGANDA) THAT I THINK SUCH AN INTERPRETATION WOULD BE BIZARRE.

BERGER

JVC.

(#) OMISSION, CORRECTION TO FOLLOW.

The following substance is taken from portions of a U.S. Embassy Seoul message of late October, 1961:

The Embassy reported that the military government had now been in power five months and had taken hold with "energy, earnestness, determination and imagination, albeit with certain authoritarian and military characteristics which have hampered its public image." The Embassy noted that while it had no popular base and there was little evidence of positive popular enthusiasm, the government is a "genuine revolution from the top trying to introduce sweeping reforms of a most fundamental kind. Projects of reform long talked about or under actual consideration by previous governments are becoming realities in banking and credit policy, foreign trade, increased public works for unemployed, tax evasion, agriculture, trade union organization, education, public administration, social welfare (prison reform, rehabilitation of prostitutes, birth control information, assistance to veterans and their survivors) and other fields." The Embassy noted that many reforms were constructive and some had long been urged by American advisors. Others, while well-intentioned, have been too hastily developed or poorly implemented. Some of these latter had already undergone correction, as in some cases the government was prepared to admit and correct mistakes. The military government's efforts to deal with wholesale graft, bribery and corruption in government and business, smuggling, large-scale diversion of military supplies, hoodlum terror, and police and press blackmail of individuals are genuine and are producing results. Vigilance against communist subversion and the quality and volume of anti-communist propaganda have greatly improved. Government administration, while improved in the sense that it is now possible to get rapid top-side decisions, is suffering from continuous changes in intermediate and senior personnel, but the situation is gradually stabilizing in this regard.

The Embassy notes that a large part of the population remains non-committal, and "wait and see" remains the most characteristic attitude of the majority of Koreans. Within the government, internal struggles continue and the "long-term problem (is) far from resolved. There are also a few signs of corruption and graft again appearing in high places." However, the "economic cost of doing business should be reduced with reduction in heavy political contributions and bribes all or nearly all government enterprises have in past fun with heavy losses and subsidies." The Emassy concluded by noting that despite the dangers in the current situation, from the United States point of view "this government still offers much hope" and the Embassy is "encouraged by the fact (that) we have access to top leaders and they are often responsive to our private counsel and advice and sensitive to United States and world opinion."

The following is a summary of portions of a U.S. Embassy Seoul message of mid-March, 1962:

In the course of meeting with senior Korean officials, Governor Harriman said that opinion in the United States would be shocked by the Korean government's announcement of a new law restricting political activity, and that it could complicate the problem of supporting assistance for Korea before Congress. He said that while the objective of cleaning our corrupt politicians was understandable, the way in which it is done and the way it is presented to the public plays an important part. Harriman asked if the Korean government were planning to elaborate on how the law will be carried out, and was told that would be done the following week. The following points were made to Harriman: (a) the revolutionary government had to find some means of eliminating corrupt politicians; (b) the previous government has passed a law restricting civil rights affecting 800 people from the Rhee government and that with the repeal of that law their civil rights would be restored and they would have the opportunity to run for office if they pass screening test; and (c) great importance must be attached to the ability of the leadership to clear people if they indicate support of revolutionary objectives. In response to a query, a Korean leader said that a total of about 4,000 persons would be subject to screening of which all but about 1,000 would be cleared. Previously, other Korean leaders have used a total figure of 8,000, but had given no indication of the proportion likely to be cleared.

The following summary is taken from portions of a U.S. Embassy Seoul message of early June, 1962:

The Embassy reported that for several weeks there had been indications that serious strains and differences were developing within the Korean government. It cited as examples of events which suggested "something serious developing": wild stock market speculation in March-April, the resignation in May of Governor Yu Ch'ang-Sun of the Bank of Korea, uneasiness of the Ministry of Finance, the retirement of General Pak Im Han, statements by a senior government official that June would see leadership changes (subsequentlyed by a government spokesman) and would be a "month of tension," one publicized assassination plot and several attempted coup rumors involving the military which were not publicized. The Ambassador had asked a top Korean government leader about the stock market speculation, and had been told that there were conflicting stories and he had asked for an investigation. The Korean official also said that there had been arrests relating to the reported coup and assassination plots, and the detainees were being questioned.

The following is a summary of a portion of a U.S. Embassy Seoul message of late June, 1962:

During a discussion with a senior Korean government official primarily on economic subjects, a senior Embassy official cited continuing reports of irregular KCIA involvement in military supply contracts. The allegations were that foreign exchange was being generated through collusive bidding, and the United Nations Command was concerned and examining the situation closely. The Embassy official noted that while various sources were reporting that the KCIA was being restricted to its proper function, the old adage about "seeing is believing" took on greater meaning each day.

The following is a summary of a Department of State message to U.S. Embassy Seoul of early April, 1963:

The Department of State advised the Embassy that it might need to make particularly persuasive efforts with key government leaders to make clear that the decision to proceed with the referendum might affect future American economic aid to Korea. The Department suggested that the Embassy might refer to recent Korean statements that the United States has no alternative but to support Korea and to recent speculation in the Korean press that the United States would or would not reduce or cut off assistance to Korea. The Department pointed out that the question is one of the degree of American public and congressional support for continued economic assistance at a high level, and that if military rule in Korea is extended without first having a national consensus on the means and timing of transition to civilian government, current criticism in the United States of the Korean military government will inevitably be intensified, thereby sharply reducing the ability of the United States government effectively to support continued large aid appropriations for Korea, even if the United States Government was disposed to do so. The Department suggested that the Embassy make clear that destruction of an environment in which development can take place would have serious consequences to an assistance program, noting that such destruction can be caused by either political or economic instability.

The following is a summary of a U.S. Embassy Seoul message of early April, 1963:

The Ambassador reported that it is becoming clear that the Korean leadership realizes that an announcement of a referendum to be held in April for the prolongation of military rule would produce an immediate confrontation between the United States and Korea. He refers to repeated representations made to Korean leaders for an early transition to civil government through elections. The Embassy does not expect the elections to take place soon, but believes that the leadership might postpone the referendum in an attempt to avoid the confrontation with the United States. The message discusses some of the internal political forces at work, including the risks of political instability if the government should fall, and concludes that actions and statements by the government of the United States will have a substantial impact on events in Korea.

The following is a summary of portions of a U.S. Embassy Seoul message of late April, 1963:

In a discussion of the current political situation in Korea, the Embassy concludes that Korea is now in a period of restless insecurity and nervous instability. In the Embassy's opinion, if the United States were to withhold announcements of further assistance until ironclad guarantees of elections or until there were performance indications on stabilization measures, it would only add to the country's frustrations and worsen matters. The Embassy added that if the United States were to announce further assistance, there would be a better chance of influencing local personalities and move the local situation in political and economic directions more in line with American policy goals. The Embassy also noted that the Korean government was intent on settling with the Japanese soon and was prepared to make concessions on fisheries. In that regard, evidences of support of Korea from the United States might be helpful in persuading the Japanese to conclude with the Korean government.

The following is a summary of a U.S. Embassy Seoul message of early September, 1963:

In an analysis of the Korean situation just prior to the election, the Embasssy notes that the Korean government's hopes for smoothly run elections were giving way to apprehension that a victory will not be easy. As a result, the leadership is reacting more sharply to criticism. In the Embassy's view, the dominant group in the Korean leadership is increasingly pre-occupied with internal maneuverings, and the key seems to rest in support from the military. Civilian political opposition forces have been making strenuous efforts to unite against the regime, but continue to be hampered by factionalism and personal ambition. In campaigning, the leadership is concentrating on constructive achievements of the past two years, and a bumper rice harvest will help. The Embassy opines that political differences built up over the past year have an air of permanence about them, and the prospects for the emergence of a stable and effective government after the elections appear dim. The Embassy feels the settling of political differences should be left to the Koreans, and the United States should remain wedded to the principle of fair elections, and assume a critical stance when that principle is threatened.

5. Letter from Richard T. Hanna to Shin Jik Soo, Director, KCIA, dated August 27, 1974, obtained by the Korean Influence Investigation of the House Committee on Standards of Official Conduct

Exhibit #71

027685

**Congress of the United States
House of Representatives
Washington, D.C. 20515**

August 27, 1974

Mr. Chick Soo Shin
Director
Central Intelligence Agency
Seoul, Korea

Dear Director Shin:

We know that recent events in your country have placed great strain on you as a close and trusted official of the President and as a patriotic citizen of your nation. You have our deep and abiding sympathy.

We are enclosing a letter to President Park and a collection of remarks made by our friends on the behalf of Korea during recent hearings in Congress on U.S./Korean relations. We hope you will find some reason to take strength and encouragement from those well informed and strongly worded statements. Needless to say, we stayed up many nights drafting those documents ourselves which then were re-written by those friends who natively presented them to the hearing.

In addition to well established support we have enjoyed in the halls of Congress, nourished and encouraged by our good friend, Mr. Tongsun Park, it now appears Korea will have an improved posture with the White House and the Ford Administration through two of Mr. Tongsun Park's good friends, William E. Marshall and Melvin Laird. As you may know, it was Melvin Laird who put Gerald Ford into the Republican leadership in the House and it was again Mr. Laird who persuaded Mr. Nixon to name Gerald Ford to the Vice Presidency.

However, one of the important areas where support is weak and attack is still to be expected is in the international mass media. In recognition that this is where so much of the public opinion is formulated, it lays the seeds for

**COMMITTEE HEARING
EXHIBIT NO. 000188**

counterbalancing force in Congressional halls. In view of the importance of this matter and in line with our previous discussions when last I visited with you, I strongly urge that you follow up with some implementation to improve your Government's relations with the international press.

Not only myself, but many other friends in Congress here, have gone over this matter in detail with Tongsun Park. We all feel that better international press relations will give much needed support to the efforts we have been making with Tongsun to maintain and improve the relations between the United States and Korea.

I trust that this letter finds you well. You need good health and a strong spirit for the demanding tasks of your calling. I extend my warmest good wishes and remain,

Your friend,

Richard T. Hanna

Richard T. Hanna

EncL

One copy of Richard T. Hanna's
letter to President Chung Hee Park

Statements on U.S./Korean Relations Hearings

Three Articles on Mr. Park's Washington Activities

6. Letter from Richard T. Hanna to Park Chung Hee, President of the Republic of Korea, dated August 27, 1974, obtained by the Korean Influence Investigation of the House Committee on Standards of Official Conduct

COMMITTEE
ARMED AND CURRENCY
BUDGET COMMITTEE
HUMAN
INTERNATIONAL FINANCIAL
INVESTIGATIVE TRIBUNAL

SCIENCE AND ASTRONAUTICS
SUBCOMMITTEE
DEFENSE
ENERGY
COMMERCE
INTERNATIONAL COMMERCIAL
IN SCIENCE AND TECHNOLOGY

RICHARD T. HANNA
34TH DISTRICT OF CALIFORNIA

Congress of the United States

House of Representatives

Washington, D.C. 20515

JOHN DELCHIAN
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HOWARD ADLER
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THOMAS A. LARSEN
ASSISTANT TO THE CHAIRMAN
JAMES H. COOKING
SUBCOMMITTEE ON INVESTIGATION
WALTER J. FOLEY
DIRECTOR OF STAFF

Exhibit #72

August 27, 1974

His Excellency, Chung Hee Park
President of Republic of Korea

Dear Mr. President :

We are burdened with a deep sense of sadness and sympathy as we write to you at this instance. Your dear wife was highly respected and genuinely admired by those of us fortunate to have met her and enjoyed her company. Your loss we know is great and our hearts go out to you at this time.

It is our belief and conviction that Mrs. Park would want to see the achievement of the aims you have for your people and the continuous service to the basic purposes to which you have been dedicated. In this light we therefore set forth in some detail the events concerning Korea in Congress in these past few months.

When our friend Tongsun Park and I were first informed that two joint subcommittees of the Foreign Affairs Committee were prepared to hold critical hearings relative to Korea and its government, we immediately discussed, along with several other friends of Korea, the importance and effect of such hearings and weighed alternatives to the negative actions being planned for these hearings. To these ends, the following steps were taken.

Contact was first made with Chairman Morgan of the Foreign Affairs Committee to determine his attitude and support. It was clear that he questioned the wisdom of the hearings in the first instance and was disappointed that the hearings were going to be unbalanced against your Government. However, he advised that obstructing the hearings at that time would not be wise. Rather, he recom-

**COMMITTEE HEARING,
EXHIBIT NO. 000185**

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wended various efforts to balance the presentation and reduce the effectiveness of the planned action against your Government. Further to these efforts, Chairman Morgan persuaded the Chairmen of those Subcommittees holding hearings to guarantee that fair play would be followed and that the record of the hearings would be open to reflect pro-Korean views.

Secondly, we contacted friends in the leadership who are all well-known to you, Mr. President: Majority Leader Tip O'Neill, Majority Whip John McFall, Deputy Majority Whip John Brademas, Minority Floor Leader John Rhodes (the successor to Gerald Ford), and Deputy Minority Floor Leader Albert Johnson. These good friends of Korea all concurred with Chairman Morgan's opinion and at the same time advised that such steps should be taken as would minimize the overall effect of the testimony. In this regard, the leaders pointed out that since this event coincided with the impeachment hearings against President Nixon that the impact in the news media at least within the U.S. would be greatly diluted. These leaders did promise, in order to avoid any chances for Korean critics to upset aid programs to Korea, especially in the area of military assistance, to stay with a "continuing resolution"; this means that without formally passing legislation before the House or Senate, the ongoing policies relating to Korea would be continually adhered to.

We next contacted selected members who were known to be staunch and well informed friends of Korea and obtained their agreement to assist in balancing the record of the hearings. Then we persuaded both Chairman Don Fraser and Chairman Robert Nix whose sub-committees were chairing the hearings to grant formal permission for extension of the hearing time so that our friends from Congress could provide their remarks.

These hearings in their originally planned form would have had a far reaching effect in the sense that the critics of the Korean Government, we discovered, were intending to use the report on these hearings to fortify those critics in the Senate in order to intensify their campaign against your Government. In order to prevent this course of events, Mr. Tongsun Park talked with Senator Hubert H. Humphrey, who has been a staunch friend of you personally,

and he also appealed to Senator Birch Bayh who is one of the most prominent Democrats as well as a former presidential candidate but who is not friendly to Korea because of his liberal inclinations. These two Senators, along with other friends of Korea in the Senate, recommended, as the House leadership did, that the strategy should be to balance the testimony with presentations which would diminish the effectiveness of those attacking Korea and to thereby minimize the impact of their criticism. They also were most anxious to avoid any confrontation over the propriety of actually holding these hearings or on the wisdom of the debate, as such disputes would result in broadened involvement of the question at hand and most certainly would increase the publicity. However, all of these Congressmen and Senators with whom we discussed these problems suggested that this particular problem surfaced because of bad relations between the international press and your Government and they urged that action be taken to substantially improve these relations almost immediately.

While the critics of the Korean Government brought outsiders to testify before the hearings with only two Congressmen joining them, we decided to provide our speakers entirely from House membership. This in itself, we felt, would give more prestige and credibility to the pro-Korean presentations made. Consequently, the friends who made statements in Korea's favour before the Subcommittee were personally selected by us on the basis of bi-partisanship, diverse geography, committee assignments, and knowledge and experience on Korea. There were four Democrats and two Republicans presenting their statements before the Subcommittee, the names of whom are listed below with a brief summary of their positions:

Walter Flowers of Alabama - He was most capable to discuss in detail the legal aspects because of his work in the Judiciary Committee. He was very prominent in the impeachment hearings and played a significant role in drafting the

resolution for impeachment in language and spirit all admired. He was glad to assist as he recalled vividly and gratefully the cooperation extended to him by Minister Shin of your Ministry of Justice, now the new Director of the Central Intelligence Agency; several years ago the Congressman had a problem involving a constituent and the solution was made possible by Director Shin, then Minister of Justice. This helped the campaign efforts of Mr. Flowers at that time.

Mel Price of Illinois - He is the leader and Dean of the powerful Illinois Delegation. His selection as Chairman of the House Ethics Committee reflects the high prestige he enjoys in the House. He is the number two member on the Armed Services Committee. Mr. Price has been in two of the Parliamentary exchanges in Korea and has maintained an active and positive interest in your country.

Sonny Montgomery of Mississippi - He is one of the most popular members of the House. He has taken a unique interest in the military activities in Viet Nam and has been in that area more than any other person in either the Senate or the House of Representatives. He is very active on the Military Affairs Committee. Although he was one of but a very few who remained loyal to President Nixon to the end, his sincerity and consistency was admired by those who did not share his feelings or views.

Edward Patten of New Jersey - He was a member of all three of the visiting delegations from the United States Congress to the National Assembly in Korea. His interest has remained constant and his attitude regarding your country favourable. He is a ranking member of the Appropriations Committee. If you will recall, he wrote to you on April 10 of this year regarding the need to improve relations between the international press and your Government.

Albert Johnson of Pennsylvania - He is number three man in the Republican leadership being assistant Whip under Les Arends. He is also number two minority man on the Banking and Currency Committee. Mr. Johnson has visited Korea on two occasions. His observations and experience have made him a strong defender of Korea. Like many others, he also respects and enjoys the friendship and trust of Mr. Tongsun Park.

William Mershall of Ohio - He is ranking member on the Defense Appropriations Committee and a close friend of Melvin Laird and President Ford. I am sure you will recall that he has personally visited both Korea and your office on several occasions at the urging of Mr. Tongsun Park.

Mr. President, we have made available the statements made by each of these men. Our true feeling is that with their help we have minimized the thrust of the critics, neutralized the effectiveness of the hearings, and contributed to the maintenance of the healthy, positive position of your country and your Government. Our hope is that you will find reason to agree. Further to these efforts of our friends to strengthen Korea's position in Congress and the White House, the enclosed articles will, I believe, give you an indication of the success of Mr. Tongsun Park's activities on your behalf in Washington.

With the disagreeable part behind and a challenging future ahead it is well to look at how further improvement can be made. First of all, Mr. President, let us point out that the encouragement and inducement for the critical hearings was fostered by a select few in the powerful press. Ultra-liberalists in Congress simply used the platform provided by articles and editorials to launch their own forum in Congress. We would therefore strongly urge that the Korean Government formulate a policy through which the current undesirable relationship between the international press and the Korean Government could be vastly improved. If you will recall, Congressman Patten, who desires to be as helpful to you as he can, made the same kind of appeal to you in his letter last April.

Among many other recommendations we have made in this regard, Mr. President, we would ask for your consideration of selection of a competent, attractive, and articulate spokesman, preferably with an American educational background and given an impressive Government title, to serve as a spokesman for the foreign press. Such a person can become a friend of the foreign press so that even circumstances not normally favourably reported in the international press could be presented with a certain degree of sympathy for the Korean position. This idea was implemented in the Republic of China some time ago and has been very successful.

It is most important to acquire a posture of cooperation with representatives of the international press and to provide them with access to all avenues of information which can be made public. It is particularly important to give them early briefings on items which reflect the positive and constructive steps contemplated and taken by your administration in a timely and adequate fashion. Such a move will support the efforts of many of our friends in Congress and especially those of our respected mutual friend, Mr. Tongsun Park. It will help maintain the strong and favourable relationships between Korea and the United States and it will provide confidence in the credibility of your good intentions for Korea and for the peace of Asia. In this regard we have had further discussions with Director Shin of the C.I.A. These exchanges included number of suggestions for actions to accomplish the same purposes set forth above.

Finally we wish to assure you of our intentions to continue our limited but enthusiastic efforts for continuing and growing friendship between the United States and your country. We feel confident in our discussions with newly sworn in President Ford recently, that he is strongly in favor of supporting bi-lateral efforts on behalf of stability and peace.

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Congress of the United States

House of Representatives

Washington, D.C. 20515

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President Chung Hae Park
August 27, 1974
Page 7

On a more optimistic note, in addition to well established support we have enjoyed in the halls of Congress, nourished constantly and encouraged vigorously by our good friend, Mr. Tongson Park, it now appears Korea will have an improved posture with the White House and the Ford Administration through two of Mr. Tongson Park's good friends, William E. Minshall and Melvin Laird.

I personally am aware of the valuable work done by Mr. Tongson Park in building a firm and confidential relationship with Mel Laird and Bill Minshall. Both of these men worked to make Gerald Ford the Minority Leader in 1961 and they were also most active in having Mr. Ford selected as Vice President. Now it is natural that Mel Laird and William Minshall are valued friends and trusted advisors to President Ford. In fact, it was again Melvin Laird who persuaded President Ford to name Nelson Rockefeller to be his Vice President, which makes Melvin Laird and his friends the most powerful group in Washington.

Mr. President, I trust you will be patient with my detailed report. It is our strong hope that with the tragedy and trials you are enduring, some new strength and new promise will emerge to balance your life and to maintain your service. We wish you improvement in all aspects of your life and remain,

Your Friend,

Enclosures:
 Statements on U.S./Korean
 Relations Hearings
 Three Articles on Mr. Park's
 Washington Activities

Richard T. Hanna

Richard T. Hanna

7. "A Chronology of Korean Affairs Under Park Chung Hee's Rule With Reference to the U.S. & the World"

*This chronology is a preliminary draft prepared on the basis of major U.S., Korean and Japanese newspapers by Professor Lee Jai Hyon of Western Illinois University for the Subcommittee's use. It has proven very valuable for keeping track of events and relating them to other events. Having belatedly concluded that it should be included in this appendix for the benefit of the reader of the Subcommittee's final report, there was no time to correct the typographical errors, awkward spots in language, and minor inaccuracies which are inevitable in a first draft. At the urging of the Subcommittee staff Professor Lee reluctantly agreed to its publication without the corrections he would have made had he had the opportunity.

A CHRONOLOGY OF KOREAN AFFAIRS UNDER PARK CHUNG-HEE'S RULE WITH REFERENCE TO THE U.S. & THE WORLD

DEVELOPMENTS IN THE U.S. & IN THE WORLD

DEVELOPMENTS IN SOUTH KOREA

- May 16, 1961 Coup d'etat led by Maj. Gen. Park Chung-Hee.
Junta immediately declares martial law, bans political parties, cultural organizations, etc., dissolves the National Assembly, and introduces censorship of the press.
- June 3, 1961 President Kennedy meets with Khrushchev in Vienna, Austria.
- July 4, 1961 Park promulgates "Anti-Communist Law" despite strong public opposition because of the vagueness of the law.
- August 12, 1961 Under the mounting pressure from the public and from the U.S. government, Park publicly pledges restoration of civilian rule in 1963.
- August 13, 1961 Blockade of West Berlin by East Germany. President Kennedy asks the Free World to rally behind the U.S.
- October 20, 1961 Park resumes Korea-Japan talks for normalization of relations. Talks were interrupted by the coup.
- October 24, 1961 KCIA Director Kim Jong-Pil goes to Japan to meet with Prime Minister Ikeda.
- November 12, 1961 Park arrives in Tokyo on the way to Washington, and meet with Japanese Prime Minister Ikeda.
- November 13-15, 1961 Park visits Washington, and talks with President Kennedy, etc.
- February 8, 1962 The U.S. establishes Military Assistance Command in Vietnam.
- February 22, 1962 KCIA Director Kim Jong-Pil goes to Tokyo, and hold a private meeting with Prime Minister Ikeda.

<u>March 16, 1962</u>	Park promulgates "Political Purification Law" which banned 4,359 politicians from any political activity in the future.
<u>March 22, 1962</u>	President Posun Yun resigns in protest of the "Political Purification Law." Park assumes Presidential duties as well as being junta chief.
<u>October 10, 1962</u>	India and China clash on the border.
<u>October 22, 1962</u>	President Kennedy orders blockade of Cuba against Soviet ships transporting missiles to Cuba.
<u>November 12, 1962</u>	KCIA Director Kim Jong Pil and Japanese Foreign Minister Ohira agree on the question of Japan's reparation for war damages in Korea, and exchange a memorandum (commonly known as Ohira-Kim memorandum).
<u>December 26, 1962</u>	Park promulgates amended Constitution.
<u>January 30, 1963</u>	North Korean communist party organ "Rodong Shinboon" carries an editorial in support of China's ideological position.
<u>February 18, 1963</u>	Park officially announces that he will not run for public office in the civilian government, and will return to military service when the new government is elected.
<u>March 7, 1963</u>	Park reverses his previous announcement and now says he will participate in the civilian government "if the political situation becomes chaotic."
<u>March 16, 1963</u>	Park declares that the junta will extend its rule for four more years. But three weeks later, he withdraws the declaration yielding to the public pressure.

June 13, 1962 Japanese delegation announces at the Korea-Japan Preliminary Talks in Tokyo that Japan will give private loans of \$100 million to Korea before normalizations of relations.

October 15, 1963 Park elected President. Park receives 46.5% and Posun Yun 45% of the votes cast, according to the government count.

October 17, 1963 Korea-Japan Talks resume.

November 1, 1963 Coup d'etat in Vietnam overthrows the Ngo Din Diem government.

November 22, 1963 President Kennedy assassinated.

January 27, 1964 France recognizes the People's Republic of China.

December 17, 1963 Park Chung Hee is inaugurated as President.

March 24, 1964 Students and some of the populace demonstrate against oppressive government policies, and protest talks aimed at normalizing relations between Korea and Japan under "subservient conditions."

National Assembly Elections

December 17, 1963 Park Chung Hee is inaugurated as President.

March 24, 1964 Students and some of the populace demonstrate against oppressive government policies, and protest talks aimed at normalizing relations between Korea and Japan under "subservient conditions."

Demonstrations and protest continue in the following months.

June 3, 1964 Student demonstrations climax in Seoul as 15,000 demonstrate. Park declares martial law to quell demonstrations.

July 29, 1964 Martial law lifted.

August 2, 1964 The first incident of Tongkin Bay occurs, and eventually changes the course of war in Vietnam.

August 14, 1964 KCIA announces the fabricated case of "People's Revolutionary Party" arresting 41 inconspicuous persons as North Korean communist subversive agents.

September 18, 1964 Japanese Government decides to give "urgent aid" of \$20 million to Korea.

October 15, 1964 Khrushchev ousted.

October 16, 1964 China tests her first A-bomb.

February 7, 1965 U.S. Air Force commences bombing of North Vietnam.

February 11-14, 1965 Kosygin visits North Korea.

May 16-27, 1965 Park visits Washington at the invitation of President Johnson, and emphasizes assistance to South Vietnam in the May 19 joint communique.

June 21, 1965 Park declares martial law, and closes down universities and high schools.

February 17, 1965 Japanese Foreign Minister Shiina visits Seoul to initial Korea-Japan Basic Treaty.

February 25, 1965 The first units of the Korean troops arrive in South Vietnam.

April 13, 1965 Student demonstrations against Korea-Japan Basic Treaty escalate.

May 16-27, 1965 Park visits Washington at the invitation of President Johnson, and emphasizes assistance to South Vietnam in the May 19 joint communique.

June 22, 1965 Delegates of Korea and Japan formerly sign Korea-Japan Basic Treaty in Tokyo.

July 2, 1965 Park decides to send one combat division to South Vietnam in response to the "request of the Republic of Vietnam Government." (Actually, Korean troops are sent to Vietnam by U.S. request routed through the Saigon government.)

August 14, 1965 National Assembly ratifies Korea-Japan Treaty by the government party members alone while the entire opposition members boycotting.

August 26 - September 25, 1965 Park places the greater metropolitan Seoul area under the control of the Seoul Garrison Commander, lifting the decree a month later.

September 25, 1965 Korean Army's Tiger Division arrives in Vietnam.

February 22, 1966 Vice President Humphrey visits Korea. Park promises to Vice President Humphrey that Korea will send additional 20,000 troops to South Vietnam.

March 4, 1966 Ambassador Brown delivers to the Korean government a memorandum of U.S. military assistance to Korea. Commonly known as the Brown Memorandum.

June 14-16, 1966 ASPAC meets in Seoul.

June 22, 1966 Korean Defense Minister Kim Sung Eun and U.S. Defense Secretary McNamara discuss modernization of Korean armed forces.

July 9, 1966 Secretary of State Rusk arrives in Korea. Rusk signs the Status of Forces Agreement with Korea, after 14 years of negotiation in which the U.S. has been reluctant party.

September 3, 1966 North Korea signs an agreement with North Vietnam that it will give North Vietnam grant-type aid.

September 15, 1966 The press reports a large scale smuggling of sccharine by Korea Fertilizer Co. of the Samsung zaibatsu with a government-guaranteed foreign loan. (Market value f \$30,000.) One of the biggest scandals under the Park regime.

October 24, 1966 Manila Summit Conference of the Seven Countries contributing troops to Vietnam.

October 31, 1966 President Johnson visits Korea.

Johnson-Park joint communique (November 2, 1966).

February 7, 1967 To cope with the forthcoming elections for National Assembly, the opposition "Shin-Han" and "Min-Joong" parties merge, and form "Shin-Min" or New Democratic Party strengthening opposition force.

March 3, 1967 North Korea and the Soviet Union conclude a Soviet Economic and Military Assistance to North Korea Agreement.

March 14, 1967 Prime Minister Chung Il-Kwon and President Johnson reach an agreement in Washington on a Korean armed forces modernization program.

June 5, 1967 Arab-Israeli war breaks out---
second time.

May 3, 1967 Park Chung-Hee re-elected President for the second 4-year term under the current Constitution which Park himself promulgated in December 1962, and which allows a president only two consecutive terms. Thus, his last term

June 8, 1967 Elections for National Assembly. Park mobilizes the KCIA, police, military establishment, and other government machines in an all-out effort to rig the elections throughout the country. Known as the most corrupt and dishonest elections ever held in South Korea. Public indignation erupts in cities and provinces. Protest demonstrations mount daily across the nation, joined by ever-increasing number of citizens, college students, and even high school students. It develops into the worst national political crisis since April, 1960, when President Syngman Rhee was forced to resign.

July 2, 1967 Vice President Humphrey, Prime Minister Sato of Japan, and Vice President Yien of Taiwan arrive in Seoul to attend celebrations of Park's inauguration. While in Seoul, Humphrey, Sato, Yien, and Park hold a four-nation conference.

July 8, 1967 Recently having kidnapped 17 Korean students and scholars from West Germany and spirited them to Seoul, the KCIA announces for the first time that it has successfully eliminated "a vast North Korean spy ring operating out of East Berlin for Communist takeover of the South", greatly arousing public fear of both the KCIA and potential North Korean subversive attempts.

January 21, 1968 A 26-man North Korean commando penetrates through frontlines by land, infiltrates into Seoul, and attempts a surprise raid on Blue House, official presidential mansion. Twenty-five killed, one captured.

January 23, 1968 North Korea captures U.S. intelligence ship USS Pueblo off North Korean coast in Japan Sea.

January 30, 1968 Communist "Tet Offensive" starts in Vietnam.

February 13, 1968 Park extends the term of compulsory military service for all servicemen.

February 17, 1968 Auxiliary rules pertaining to the already existing Militia Corps Law promulgated.

March 5, 1968 Shinjin Automobile Company signs a contract with Toyota of Japan to import Japanese cars with \$10 million government-guaranteed foreign loan.

March 22, 1968 Construction of Ulsan petrochemical industrial zone commences.

March 31, 1968 President Johnson orders to stop U.S. bombing of North Vietnam.

President Johnson announces that he will not seek reelection.

April 1, 1968 Militia Corp activated.

April 18, 1968 President Johnson and Park hold a summit conference in Honolulu on the continued U.S. military aid to Korea program.

May 1, 1968 Political crisis in France. Students, labor unions, etc. oppose the proposed program of President de Gaul. General strike paralyzes entire France.

- June 21, 1968 Park imprisons on Anti-Communist Law violations charges reporters and editors of the Orient Press, a domestic news agency, who wrote and distributed a news article on the Three-Year Combat Readiness Plan. Also editors and publishers of newspapers which published the said wire service article arrested under the same charges. The article contained only what the Defense Ministry had already made public and much of it had been published in the Government Party organ. Thus, it was interpreted as Park's intention to suppress the press.
- June 27, 1968 Installation of anti-air missiles around major South Korean cities announced.
- July 5, 1968 1st Three-Year Plan for Defense Industry finalized.
- July 6, 1968 Three-Year-Combat Readiness Plan finalized.
- July 8, 1968 United Nations Command transfers considerable degree of operational authorities to the Korean forces.
- August 20, 1968 Soviet and East German divisions invade Czechoslovakia to end the "Spring of Prague" liberalization.
- November 5, 1968 Richard M. Nixon elected President of the United States.
- January 7, 1969 Acting chairman of the Democratic Republic (government) Party Yun Chi-Yung announces possibility of Constitutional amendment to allow Park to run for a third term
- January 18, 1969 Representatives of U.S., South Vietnam, North Vietnam, and Vietcong agree to hold talks on Vietnam in Paris.
- January 25, 1969 Paris Talks on Vietnam open.

February 1, 1969 Park orders unlimited release of government (U.S. Public Law 480) rise to the market in an attempt curb rising prices and maintain low wages.

February 13, 1969 North Korean double agent Lee Soo-Keun, former North Korean Central News Agency editor who "defected to the South at Pusanmjom, slips out of Korea undetected by a commercial airliner. But captured at Saigon airport on the way to North Korea via Phnom Penh, Cambodia.

March 1, 1969 National Unification Board created with a cabinet rank head. It has a vaguely defined responsibilities with little authority. Authorities to deal with any questions or research on the problem of national unification are actually in the hands of KCIA.

March 2, 1969 China and the Soviet Union boarder troops clash on the Damansky Isle in the Ussuri.

March 10-20, 1969 Operation Focus Retina. A U.S.-Korea joint military exercise. 2,500 U.S. paratroopers airlifted from North Carolina to Korea for an exercise of American-Korean joint operation.

April 8, 1969 National Assembly passes the vote of non-confidence in Education Minister Kwon Oh-Syung. Park's Democratic Republican Party ousts five members who joined the opposition in the voting defying the party order.

April 10, 1969 Joint military exercise of the British Far East Fleet and Korean forces.

April 15, 1969 U.S. Navy's EC-121 reconnaissance plane shot down by North Korea.

April 28, 1969 President de Gaul resigns upon defeat of his program in a national referendum.

April 30, 1969 National Assembly unanimously adopts a resolution to oppose withdrawal of U.S. bases in Okinawa.

Twenty-four U.S. Phantom jets newly arrive at Kunsan Air Base to strengthen air power.

May 6, 1969 Commander of Korean Forces in Vietnam, Gen. Choe Hyung-Shin, announces that the Vietnam War is almost over in terms of military operations and that only political and psychological operations remain to negotiate armistice conditions.

May 14, 1969 President Nixon announces an 8-point proposal for peace in Vietnam, including withdrawal of U.S., allied, and North Vietnamese troops from South Vietnam within one year.

May 28-30, 1969 South Vietnamese President Thiệu and Park meet in Seoul.

June 3, 1969 U.S.-Korea Defense Ministers Conference agree on construction of M-16 rifle factory in Korea.

June 7, 1969 Brezhnev proposes a collective Asian security.

June 8, 1969 President Nixon meet with Vietnamese President Thiệu on Midway, and announces that 25,000 U.S. troops will be withdrawn and replaced by South Vietnamese troops by the end of August this year.

June 9-11, 1969 The 4th ASPAC ministers conference in Kawana, Shizuoka, Japan.

June 12, 1969 As Park's covert maneuvering for a Constitutional amendment allowing him to run for a third term gradually becomes public knowledge, students of Seoul National University hold a meeting and resolve to oppose such a Constitutional amendment.

June 19, 1969 Korea University students hold a rally to defend the Constitution, opposing the contemplated amendment.

June 20, 1969 Yonsei University students hold a rally to oppose Park's move for Constitutional amendment.

June 23, 1969 Movement to oppose Park's Constitutional amendment spreads to universities in the provinces.

June 27, 1969 1,000 students of Korea University demonstrate in the streets of Seoul, opposing Park's plan for Constitutional amendment.

June 30, 1969 Thousands of students from Seoul National, Korea, Yonsei, Kyung-Hee Universities demonstrate in Seoul to oppose Park's Constitutional amendment. Students of Kyung-Book University and Pusan University demonstrate in Taegu and Pusan respectively, opposing Park's Constitutional amendment move. Police arrest students.

July 1, 1969 7,000 demonstrating college students clash with police.

July 2, 1969 Students of many high schools hold rallies opposing Park's Constitutional amendment move.

July 3, 1969 Park's government arrests 247 students in connection with demonstrations.

North Korean double agent Lee Soo-Kyun executed.

July 4, 1969 Student demonstrations increase day by day. Students clash with police. Police brutally crack down demonstrators. Many wounded.

July 7, 1969 Park announces that he will take an appropriate measures when the Constitutional amendment bill is introduced in the National Assembly, and that he will not tolerate violent or unlawful expression of opinions.

July 10, 1969 Park's Democratic Republican Party secretary general K.I. Chae-Hs announces that a formal bill for Constitutional amend will be introduced in the National Assembly before September.

July 11, 1969 2,000 high school students demonstrate in Taegu and Andong.

July 12, 1969 Park's Democratic Republican Party fires 96 of its Central Committee members.

July 17, 1969 National Committee of Citizens Opposing the Constitutional Amendment to allow a Third Term organized.

July 19, 1969 50,000 citizens attend a rally in Seoul organized by the New Democratic Party to oppose Park's move for Constitutional amendment.

July 20, 1969 U.S. spaceship Apollo II lands on the moon.

July 21, 1969 In reprisal, Park expels or suspends from school 70 student leaders of Seoul National University for organizing demonstrations.

July 25, 1969 President Nixon announces in Guam his policy which later became known as "Nixon Doctrine."

August 1, 1969 Secretary of State Rogers visits Korea, after attending U.S.-Japan Trade and Economic Joint Committee meeting in Tokyo, and confers with Park.

August 8, 1969 Opposition members of National Assembly physically stop government party's one-sided introduction of Constitutional amendment bill by occupying the Assembly hall platform.

August 9, 1969 Opposition members of National Assembly demonstrate outside the Assembly building against the Constitutional amendment bill, clash with police.

August 13, 1969 Chinese and Soviet armed forces clash on the Sinkiang-Kazakh border. Largest military action one against another since WWII.

August 21-23, 1969 Park and President Nixon hold summit talks in San Francisco. A joint communique reaffirms U.S.-Korea joint retaliation in case of North Korean invasion.

August 23, 1969 Students of Korea University hold a rally on campus against the Constitutional amendment.

September 3, 1969 Ho Chi Minh dies.

September 5, 1969 New Democratic Party dissolves itself in protest of Park's intention to force through the Constitutional amendment.

September 9, 1969 Government party introduces the Constitutional amendment bill in the National Assembly.

September 9, 1969 Korean residents in Japan organize a movement to oppose the Constitutional amendment.

Students of Catholic University fangs out to all parts of Korea to lead grassroots opposition to the '1.

September 11, 1969 Kosygin and Chou En-lai hold a meeting at Pekin airport. First meeting of Chinese and Soviet leaders since 1965.

September 14, 1969 Constitutional amendment bill passes National Assembly, allowing Park to run for a third term. A bill for National Referendum Law also passes. After the National Assembly adjourned for the day, Assemblymen of Park's party secretly gathered in Annex Building #3 at 2:30 a.m., and passed the two bills in 10 minutes without debate and without opposition Assemblymen present.

September 15, 1969 Korean students in Japan hold demonstrations in front of Korean Embassy protesting the Constitutional amendment.

September 20, 1969 Once again New Democratic Party formed.

September 24, 1969 Defense Department announces that Korean Navy sunk a North Korean intelligence ship off the Huksan Islands in the Yellow Sea, killing 15 on board.

September 30, 1969 KCIA announces that they captures 12 North Korean communist spies spreading "rumors" of anti-Constitutional amendment in Kyongsang-nado province.

October 7, 1969 The Korean news media report that U.S. Defense Secretary Laird testified before a House Committee he would like to withdraw U.S. troops from Korea if possible, and transfer more responsibilities to the Korean forces. (Laird testified in June.)

October 15, 1969 The press estimates a total of more than 10 million persons have participated in anti-Vietnam War demonstrations across the U.S.

October 15, 1969 7,100 students from Yonsei, Choong-An, Konkook Universities demonstrate in the drenching rain to protest the Constitutional amendment.

October 17, 1969 Prime Minister Chung Il-Kwon announces that the U.S. is likely to pull out its troops from Korea after withdrawal of U.S. forces from Vietnam in 1973.

October 18, 1969 National Police Headquarters announces that police arrested two members of the "North Korean Labor (Communist) Party."

October 21, 1969 Park promulgates the newly amended Constitution.

Park removes Lee Hu-Rak from the post of Blue House (office of the President) chief of staff, and Kim Hyung Wook from the post of KCIA director. The two had become the target of strong public resentment for their not too secret roles in masterminding and executing all sorts of dirty tricks, terrorism, and torture to keep Park in power. Park knew it and wanted to appease the enraged public.

October 30, 1969 The Communist bloc proposal to invite North Korean delegate to the discussion of Korean question is defeated in the First Committee of the 24th UN General Assembly.

November 3, 1969 Government places severe restraint on bank loans to stabilize prices.

November 17, 1969 A resolution to maintain UNCORK and UN Command adopted in the First Committee of the UN General Assembly.

November 24, 1969 Government announces a 10-Year Plan for Modernization of Agricultural Community.

November 27, 1969 National Assembly Foreign Affairs Committee chairman Cha Ji-Chul (a confidant of Park) announces that U.S. will begin withdrawal of its troops from Korea in 1971.

November 29, 1969 Economic Planning Board announces that foreign exchange earning declines due to the ending of war in Vietnam, but the current level of earning from Korea-Vietnam economic cooperation will prevail for a while.

December 11, 1969 Korean Airlines domestic passenger flight with 51 persons aboard hijacked to North Korea and lands at Wonsan.

December 12, 1969 Public rallies across the nation protest North Korean hijacking of the Korean Airlines plane.

December 16, 1969 Government announces that Militia Corps (2.5 million) will be armed with carbines.

January 1, 1970 Park enacts special labor laws for workers in foreign companies. All strikes, collective bargaining, organizing of labor unions, etc. are banned.

February 21, 1970 National Federation of Labor Unions announces its resolution to fight against Park's special labor laws.

February 24-26, 1970 Symington Committee holds hearings on U.S.-Korean relations in executive sessions. UNC/8th U.S. Army Commander, General Michaelis testifies.

March 15, 1970 World Fair opens in Osaka, Japan.

March 17, 1970 Call girl Chung In-Sook is murdered. Miss Chung allegedly had relations with Park for some time, and had a son. However, Prime Minister Chung Il-Kwon "privately" claims she was his girl friend, and saves Park from the biggest sex scandal in decades.

March 18, 1970 Coup d'etat in Cambodia overthrows Prince Sihanouk.

March 19, 1970 West German chancellor and East German prime minister hold talks for the first time since the end of World War II.

March 25, 1970 Defense Minister Chung Nae-Hyuk announces a double-edged plan to modernize Korean military hardware and to develop defense industry.

March 26, 1970 Labor unions at 11 coal mines of the government-owned Korea Coal Corporation go on strike for wage increase.

March 29, 1970 U.S. supplies Korea 790,000 rifles for Korean Reserve Army, according to U.S. News & World Rep

<u>April 1, 1970</u>	Construction of Pohang Steel Mill Complex begins.
<u>April 4, 1970</u>	8th U.S. Army commander General Michaelis announces U.S. troops will continue to stay in Korea regardless of North Korean trend.
<u>April 5, 1970</u>	Chou En-lai visits North Korea.
<u>April 8, 1970</u>	Government-constructed Wawoo Apartment Building in Seoul collapses killing 32 occupants.
<u>April 9, 1970</u>	Commander of Korean Forces in Vietnam, General Lee Sae-Ho announces that there will be no withdrawal of Korean troops from or expansion of Korean combat zones in Vietnam.
<u>April 21, 1970</u>	Government announces a plan for intensification of military training in high schools. Government will supply each high school 60 M-1 rifles.
<u>April 23-25, 1970</u>	Korea-Vietnam Economic Ministers Conference for various economic cooperation programs.
<u>April 30, 1970</u>	U.S. forces begin operations in Cambodia.
<u>May 2, 1970</u>	Opposition members raise questions about high level corruption in the government and government-run corporations in the National Assembly, demanding release of more than 330 names of corrupt "sudden millionaire" government and corporation officials who live in the "Thieves Village" where one owns a house that values more than \$1,000,000.
<u>May 4, 1970</u>	Army Security Command announces that it captured 21 agents spying for North Korea and killed three North Korean armed guerrillas on Annyun-do Island.
<u>May 16, 1970</u>	Defense Minister Chung Nae-Hyuk announces that Korea will not send troops to Cambodia.
<u>May 19, 1970</u>	Vice President Aghew says U.S. considers the possibility of U.S. troop reduction in Korea.

May 29, 1970 The Pentagon suggests U.S. is studying troops reduction in Korea.

Foreign Minister announces U.S. troop withdrawal requires consultation with Korea according to the Mutual Security Agreement.

June 2, 1970 Park arrests Kim Chi-Ha, and the publisher and two editors of Sasanggye monthly magazine for publication of Kim's poem "Five Bandits," and confiscates copies of Minjo-Jonson, New Democratic Party organ, which carried Kim's poem "Five Bandits."

June 17-19, 1970 5th ASPAC Ministers Conference in Wellington, New Zealand.

June 22, 1970 Korean Counter Intelligence Corps announces that unknown number of North Korean guerrillas infiltrated into Yongdungpo District of Seoul, and one of them killed himself when pursued.

June 29-July 3, 1970 37th Congress of International PEN Club meets in Seoul.

July 11, 1970 Prime Minister Chung Il-Kwon announces that U.S. troops will be reduced by 20,000.

Korean and American high level military officers meet.

July 16, 1970 National Assembly unanimously adopts a message to U.S. government opposing U.S. troop reduction in Korea.

July 21-23, 1970 3rd U.S.-Korea Defense Ministers Conference meets in Honolulu. U.S. informs its military aid to Korea for 1971 will be \$140 million. Korea requests \$160 million.

July 28, 1970 U.S.-Japan Security Conference, meeting in Washington, agrees that the contemplated U.S. troop reduction in Korea will not cause North-South military imbalance.

July 30, 1970 Defense Ministry confirms that F-105 fighters of U.S. Air Force 313rd Division moved from Okinawa to Korea.

August 6, 1970 Ambassador Porter requests an increased spending of defense budget on the part of Korea. Both government and opposition parties criticize the Porter request.

August 8, 1970 Arab-Israeli cease-fire for 90 days begins.

August 12, 1970 West Germany and the Soviet Union sign a treaty for economic cooperation and no military action, in Moscow.

August 25, 1970 Vice President Agnew visits Korea, and meets with Park. Park asks Agnew a U.S. guarantee of \$2 billion-\$3 billion military aid for modernization of Korean military forces in five years, a written commitment of automatic U.S. military involvement for Korean defense in case of North Korean attack, and a guaranteed limit of U.S. troop withdrawal not exceeding 20,000.

August 26, 1970 In response to the press questions, Agnew announces that Korea agreed to a complete withdrawal of U.S. troops after the completion of Korean Forces modernization program, and withdrawal of 20,000 U.S. troops from Korea by June 1971. Pentagon spokesman confirms the Agnew statement.

August 27, 1970 Government spokesman Shin Bum-Shik criticizes the Agnew statement denying that there was no discussion of complete U.S. troop withdrawal from Korea, and that Korea did not agree on the withdrawal of 20,000 U.S. troops, and reiterated the Korean policy of "guarantee first, withdraw next."

August 31, 1970 Defense Minister announces that 8,000 U.S. troops have already withdrawn from Korea.

September 17, 1970 Delegate of the Provisional Government of Vietnam (Vietcong) proposes an 8-point peace plan at the Paris Vietnam Peace Talks.

September 28, 1970 President Nasser of Egypt dies.

September 29, 1970 New Democratic Party nominates
Kim Dae-Joong as its presidential candidate

October 7, 1970 President Nixon announces a
5-point Indochina peace proposal.

October 13, 1970 Canada and People's Republic
of China establish diplomatic relations.

October 13, 1970 Korea-U.S. military conference agrees
on the withdrawal of one U.S. division in exchange for
an additional U.S. military aid to modernize Korean
forces.

October 15, 1970 8th U.S. Army spokesman announces that
Camp Kaiser (Woonchon) will be closed in November.

October 17, 1970 8th U.S. Army announces that 12,000
troops have already been withdrawn from Korea.

October 24, 1970 Allende elected president
of Chile.

October 30, 1970 The First Committee of the
UN General Assembly adopts the U.S. bloc resolu-
tion to invite only South Korea to the discus-
sion of Korean question, defeating the Soviet
bloc resolution to invite both North and South
Korea without conditions attached.

November 2, 1970 UN General Assembly adopts
the Albanian resolution to expel Republic of
China from the UN and replace it with People's
Republic of China.

November 3, 1970 Student Associations of 5 universities
in Seoul issue a joint statement demanding the govern-
ment guarantee freedom to criticize, etc.

November 13, 1970 Chun Tae-II, 23 year old leader of
Cloth Makers Union, burns himself to death in desperation
after riot police broke up a peaceful demonstration pro-
testing inhumane working conditions at Pyong Hwa Textile
Market in Seoul. His message left behind: "Don't waste
my death. Don't remove my body from the hospital until
the officials promise to improve working conditions."

November 18, 1970 President Nixon requests a FY 1971 supplementary military aid budget of \$1 billion of which \$150 million is for modernization of Korean forces and \$100 million is in U.S. military equipment to be transferred to Korean forces.

White House announces that U.S. will give South Korea \$750 million of military aid in the next five years for modernizations of Korean forces.

November 18, 1970 1,000 students of Seoul National University begin hunger strike demanding an improvement of working conditions for factory workers.

November 20, 1970 300 students of Seoul National University demonstrate demanding an improvement of working conditions for factory workers.

Students of Korea University and Yonsei University hold memorial service on their respective campuses for Chun Tae Il, Cloth Makers Union leader who burned himself to death in protest of inhumane working conditions.

November 24, 1970 The First Committee of the UN General Assembly adopts the U.S. bloc's resolution on Korean question to keep UNCURK and UN Command in Korea.

November 28, 1970 U.S. agrees that Korea will keep U.S. military equipment supplied to Korean forces in Vietnam.

December 3, 1970 North Korean Air Force Major Park Sung-Kook lands a MiG in the South. South Korean government announces the pilot defected to the South, while the North claims it was an accident during a flight training.

December 6, 1970 No more reduction of U.S. troops in Korea, says In the now released record of Secretary of State Rogers' September testimony before a Senate committee.

December 7, 1970 West Germany and Poland sign a treaty to normalize relations.

December 7, 1970 Students of Yonsei University in Seoul and those of Kyong-book University in Taegu hold rallies protesting intensification of military training on campus.

December 10, 1970 1,500 workers of Sam-Ho Textile Company's Taejon plant begin hunger strike in protest of working conditions.

December 19, 1970 Park reshuffles cabinet. New KCIA Director is Lee Hu Rak. New Prime Minister is Paik Too-Chi

December 21, 1970 8th U.S. Army Headquarters announces U.S. Air Force 375th Tactical Fighter Group (F-4 Phantom) will move from Misawa Base in Japan to Kunsan Base in Korea by the end of June 1971, and EC-121 Warning-Star reconnaissance unit will move from Itatsuke Base in Japan to Kwangju Base in Korea by February 1971.

December 26, 1970 Park reshuffles key positions in his Democratic Republican Party. (Both the reshuffling of his cabinet, bringing Lee Hu Rak back from Tokyo to make KCIA director, a week ago, and now reshuffling of his Party are seen by observers as a preparation for his third term election next year.)

December 30, 1970 U.S. Congress approves a \$27 million military loan to Korea for construction of M-16 rifle factory.

January 4, 1971 No more reduction of U.S. troops in Korea (20,000 troops already withdrawn); Korean troops will relieve 2nd U.S. Division now posted on the frontline; One U.S. Brigade (5,000 troops) will man the Panmunjom joint security area; U.S. command posts on the Military Demarcation Line will be replaced by Korean Army step by step, according to the Pentagon sources.

January 11, 1971 Park announces that withdrawal of Korean forces from Vietnam is under study.

January 20, 1971 90 union members lock out Asia Automobile Company plant after wage negotiation breaks down.

January 25, 1971 Opposition presidential candidate Kim Dae-Jung departs for a tour of U.S. (Returns on February 11, via Japan.)

January 27, 1971 The house of Kim Dae-Jung bombed.

January 28, 1971 Park announces further intensification of military training in universities from March; 870 regular army officers on active duty will be assigned to universities as training instructors.

February 2, 1971 A restaurant employee burns himself to death in Seoul, protesting inhumane working conditions and sub-starvation level wages.

February 6, 1971 U.S.-Korea joint communique announces that the two countries reached an agreement on conditions of reducing U.S. troops in Korea and modernization of Korean armed forces; that U.S. will support Korea through military aid; and that the two countries will have high-level defense and security consultations.

February 7, 1971 Government announces that Korean troops will now man the entire length of the Armistice line in accordance with the reorganization plan of Korean and U.S. forces in Korea.

February 9, 1971 3rd Five-Year Economic Development Plan made public.

February 17, 1971 UN Command senior delegate to the Armistice Commission, General Rogers says there is now little danger of North Korean invasion.

February 22, 1971 Reserve Army headquarters announces its units will now be commanded and trained by officers of regular army on active duty.

February 24, 1971 Government announces military training a requirement in colleges and universities. Students now must complete 711 hours in four years.

March 2, 1971 Operation Freedom Vault (a U.S.-Korea joint military exercise) begins. 82nd U.S. Airborne Division (750 troops) leaves from North Carolina.

March 12, 1971 Minami Sanryo Co. of Japan becomes the first firm to build a plant in the newly constructed Masan Free Export Zone.

Government concludes the final contract with U.S. Colt Corporation for M-16 rifle manufacturing license and technical service.

Defense Minister Chung Nae-Hyuk announces that domestic production of ammunitions for M-16 rifle is planned.

March 17, 1971 Park Chung-Hee is nominated Presidential candidate of the Democratic Republican Party.

March 25, 1971 Civil war breaks out in East Pakistan. (Bangladesh declares establishment of a provisional government on April 15.)

March 26, 1971 Pentagon announces U.S. military aid to Korea for FY1971 is \$150 million.

March 27, 1971 The agreed reduction of 20,000 U.S. troops in Korea is completed by the departure of 7th U.S. Infantry Division from Korea in an official ceremony.

March 29, 1971 U.S. and Korea initial an agreement of U.S. military aid loan to Korea for construction of M-16 rifle plant in Korea.

April 1, 1971 6th U.S. Artillery's 8th Battalion (anti-air missile unit) arrives in Korea, assigned to 2nd U.S. Infantry Division.

April 2, 1971 500 students of Yonsei University demonstrate in Seoul streets against intensification of military training on campus.

April 6, 1971 Students of Korea University and Seoul National university also demonstrate.

April 8, 1971 Representatives of academics, journalists, lawyers, clergies, and literary profession meet in Seoul and adopt "Declaration for Defense of Democracy" demanding honest elections for President and National Assembly.

April 9, 1971 KCIA announces that Ko Young-Ho, a North Korean spy, turned himself in and confessed his mission was to stage a coup d'etat.

April 10, 1971 300 members of the Federation of Christian Student Associations demonstrate in Seoul against Park's irregularities in the Presidential election campaign.

April 12, 1971 700 students of Seoul National University and 300 students of Kyong-book University demonstrate in Seoul and Taegu respectively against Park's election campaign irregularities using police and government power.

April 13, 1971 Park arrests the editors of student news-papers on seven university campuses.

April 14, 1971 National Federation of Youth and Student Organizations for Defense of Democracy organized.

College students in the provinces demonstrate.

April 15, 1971 8,000 students demonstrate. Park arrests 100 of them.

April 19, 1971 Foreign Minister Choe Kyu-Ha announces that Korea will withdraw one combat division from Vietnam.

7,000 students across the country demonstrate against the intensification of student military training on campus.

National Federation of Youth and Student Organizations for Defense of Democracy declares that its members throughout the nation will watch over the practices of election campaigns and balloting.

National Council for Defense of Democracy organized. It includes Kim Chae Choon, Lee Byon Rin, Chon Kwan Woo, etc., among others.

April 20, 1971 Army Security Command announces that 51 Korean residents of Japan have been arrested in Seoul, Pusan, Cheju, etc. under Communist espionage charges.

April 21, 1971 Secretary of State Rogers, Assistant Secretary of State Green, and Foreign Minister Choi Kyu-Ha hold a talk; U.S. requests Korea delay withdrawal of Korean troops from Vietnam.

April 23, 1971 KCIA announces arrest of 11 spies of an underground spy ring.

April 24, 1971 Park orders all Korean military forces on full combat alert against the danger of North Korean provocation.

April 27, 1971 Presidential election.

April 28, 1971 New Democratic Party announces the government rigged the Presidential election.

April 29, 1971 Election Committee officially announces Park has been re-elected for a third term. According to the official count, of the 11,920,000 votes cast, Park received 6,340,000 and Kim Dae-Jung 5,400,000. (53% and 45%)

May 1, 1971 Park's election rigging in Ulsan becomes a public issue.

May 3, 1971 National Federation of Youth and Student Organizations for Defense of Democracy announces that the Presidential election has been rigged with the intervention of police and government power, according to the detailed field reports of student observers across the nation.

Students hold rallies on the campuses of Seoul National University, Korea University, Yonsei University, etc., condemning the government rigging of the Presidential election.

May 5, 1971 Democratic Youth Council issues a statement demanding a new Presidential election.

30 students of Seoul National University begin a hunger strike demanding a new election.

Korean Counter Intelligence Corps Headquarters announce that it has driven back a North Korean ship carrying espionage agents off Inchon.

May 13, 1971. National Police Headquarters announces that police have arrested 11 North Korean spies in the Honam region (from which the opposition Presidential candidate Kim Dae-Jung comes) attempting to organize "Unification Revolutionary Party."

May 14, 1971. National Federation of Youth and Student Organizations for Defense of Democracy announces that the Presidential election was illegal and therefore invalid; and calls upon opposition parties to boycott the National Assembly elections.

Korean Counter Intelligence Corps Headquarters announces that it has suken a North Korean ship carrying Communist agents off Mukho, on the east coast.

May 15, 1971. Korean Journalists Association adopts "Principles of Conduct for Defense of Free Press."

May 20, 1971. 2,000 students of Korea University demonstrate against the election riggings.

May 21, 1971. 1,000 students of Korea University, 600 students of Seoul National University, 500 students of Yonsei University continue to demonstrate demanding immediate release of students arrested for demonstrating, and immediate halt of KCIA surveillance on the campus.

National Council for Defense of Democracy demands release of students arrested for demonstrating.

Volunteer lawyers organize "Attorneys for Defense of the Students Arrested for Demonstrating."

May 24, 1971. Kim Dae-Jung announces vivid instances of the election riggings.

After the statement, Kim Dae-Jung's car is hit by a truck. Kim Dae-Jung seriously wounded.

May 25, 1971. General election for National Assembly. Opposition gains more strength. According to the government count, Park's Democratic Republican Party received

- 48.8%, and opposition New Democratic Party received 44.4% of the total votes cast.
- May 27, 1971 Park closes down four universities in Seoul.
- May 31, 1971 Seoul National University dismisses 23 leaders of students for organizing demonstrations.
- June 1, 1971 Workers of the government-supported Honam Fertilizer plant go on a hunger strike against arbitrary firing of workers.
- June 2, 1971 1,000 students of Seoul National University demonstrate protesting the government close-down of universities.
- June 3, 1971 Park reshuffles his cabinet. Kim Jong-Pil is appointed Prime Minister; Tae Wan-Sun, Vice-Premier and concurrently Minister for Economic Planning Board; Kim Yong-Shik, Foreign Minister.
- June 3, 1971 Foreign Minister of South Vietnam requests the Korean Government postpone the troop withdrawal from Vietnam.
- June 7, 1971 Defense Secretary Laird asks Congress provide Korea with grant-type aid for several years to modernize Korean military forces.
- June 9, 1971 UN Command/8th U.S. Army commander, General Michaelis testifies before House Foreign Affairs Committee; says the military situation in Korea is stable and the future prospect is also the same.
- Ambassador Porter testifies before House Foreign Affairs Committee; says he has recommended a dialogue between North and South Korea.
- June 13, 1971 The New York Times publishes "the Pentagon Papers."
- June 18, 1971 Workers of Asia Automobile plant and Pusan Iron Works demonstrate demanding a wage increase.
- Workers of Asia Automobile plant and Pusan

June 22, 1971 Park's government has already informed South Vietnamese government that the Korean military forces (50,000 troops) will be completely withdrawn from Vietnam by the end of 1972, according to U.S. government sources.

June 24, 1971 150 students of Seoul National University hold rallies to oppose the forthcoming visit of Japanese Prime Minister Saco.

Korean Development Financial Corporation is started with a capital of W1.3 billion (\$3.45 million) ---60% domestic, and 40% foreign investment. International Financial Corporation 20%; Nomura Securities (Japan), Asian Private Investment Company, Bankers' Trust and another company 5% each.

June 25, 1971 North Korea holds a mass rally of "Anti-American Struggles Day" in Pyongyang.

June 25, 1971 Park's cabinet decides to relax student military training on the college and high school campuses.

June 28, 1971 500 students of Seoul National University demonstrate against the forthcoming visit of Japanese Prime Minister Sato.

Two elementary schools in Ulsan are relocated because of the pollution problems caused by industrial plants in the vicinity.

June 29, 1971 Park's Defense Minister Chung Nae-Hyuk announces that the Korean armed forces will withdraw from Vietnam before U.S. forces pull out.

Student demonstrations in Seoul opposing Japanese Prime Minister Sato's visit intensifies. Demonstrators burn the Japanese flag.

June 30, 1971 Vice President Agnew and Park hold a meeting in Seoul.

July 1, 1971 Inauguration of Park Chung-Hee (3rd term).
July 1, 1971 Japanese Prime Minister Sato and Park hold talks in Seoul, after Park's inaugural ceremonies, Agree on an additional \$30 million Japanese loan to Korea for the subway construction in Seoul. (\$50 million had already been agreed upon.)

July 2, 1971 South Vietnamese Prime Minister Diem and the Republic of China's Secretary General for the President Chang and Park hold talks. (The two Asian government figures were in Seoul to attend Park's inaugural ceremonies.)

July 3, 1971 Vice President Agnew and Park hold a 2nd meeting. Agnew was visiting Korea to attend Park's inauguration.

July 7, 1971 Doctors and medical staff of Seoul National University, Kyong-book University, Pusan University, and Chon-nam University hospitals go on strike for 48 hours.

July 9-11, 1971 White House National Security advisor Henry Kissinger visits Peking, and meet with Chou Enlai.

July 12-13, 1971 1st U.S.-Korea Security Conference meets in Seoul. Secretary of Defense Laird attends. Korea asserts the possibility of an all-out attack from the North, while the U.S. contradicts such a possibility.

July 15, 1971 U.S. and China announce that President Nixon will visit China before May 1972.

August 7, 1971 Prime Minister Kim Jong-Pil suggests the possibility of North-South dialogue in the National Assembly.

August 9, 1971 India and the Soviet Union sign an agreement of peace, friendship, and cooperation in New Delhi.

August 10, 1971 50,000 residents of Kwangju development hold a rally demanding lower government land prices. Turns into a massive riot against police.

August 12, 1971 South Korean Red Cross proposes to North Korean Red Cross to meet in Geneva, Switzerland, in order to prepare for talks to reunite separated families.

August 14, 1971 North Korea agrees to the South Korean Red Cross proposal through Pyongyang radio.

August 15, 1971 President Nixon issued
8-point measures to defend U.S. dollars,
ordering a temporary halt of dollar-gold
exchange, and wage and price freeze for
90 days, etc.

August 15, 1971 Park says in his Liberation Day speech
that he welcomes the South Korean Red Cross' proposal
to North Korean Red Cross for talks on locating the
separated families.

August 20, 1971 North and South Korean Red Cross representatives meet at Panmunjom.

August 23, 1971 24 airmen of the Korean Air Force, under
special force training on Shilmi Island off Inchon, mutiny
in protest of "subhuman treatment," kill guards, seize a
boat, land in Inchon, commander a bus, head for Seoul,
but dynamite themselves on the way in a shoot-out, killing
14 of them.

As a consequence, Defense Minister Chung Nae-Hyuk
and Air Force Chief of Staff Gen. Kim Doo-Man resign.

Park appoints Lt. Gen. (ret.) Yoo Jae-Hung the Defense
Minister.

Korean Counter Intelligence Corps Headquarters
announces killing of 10 North Korean armed spies between
16th and 20th of August.

August 25, 1971 Park appoints Lt. Gen. Ok Man-Ho the Korean
Air Force Chief of Staff.

August 26, 1971 North and South Korean Red Cross representatives meet at Panmunjom--second time.
August 30, 1971 North and South Korean Red Cross representatives meet at Panmunjom--third time.

September 15, 1971 500 former construction workers of Hanji
Sangsa, Inc., who have returned from Vietnam, storms into
the company's Seoul main office, and set fire to the building
after demanding payment of their back wages.
1,000 female workers of the Bang-Lim Textile Company
begin a sit-down strike demanding the company pay their
back wages.

September 20, 1971 The 1st Preliminary Conference of North and South Korean Red Cross (5 delegates from each side) meet.

September 21, 1971 Families of the Hanjin Sangsa Company's technicians in Vietnam begin a sit-down strike in the Hanjin main office building in Seoul.

September 22, 1971 "North-South Hot Line" telephone opens for communication between high level officials of North and South Korea.

September 25, 1971 The UN General Assembly votes to postpone for one year discussion of Korean questions in view of the progress of North and South Korean Red Cross Talks.

September 28, 1971 800 students of Seoul National University and Yonsei University demonstrate in the streets demanding withdrawal of military units from the campuses where they are stationed for military training of students.

September 30, 1971 Students of Korea University and Sogang (Catholic) University demonstrate against military training of students on campus.

October 2, 1971 National Assembly passes the non-confidence vote in Home Affairs (controlling the police) Minister Oh Chi-Song. Some National Assemblymen of Park's ruling Democratic Republican Party join the opposition in the voting defying Park's order. Park have the KCIA torture the defectors including his own confidant Kim Sung-Kon, the party's finance chairman who have extorted "political funds" from Korean and foreign businesses in behalf of Park. Park forces them to give up National Assembly seats.

October 5, 1971 600 Christians in Wonju hold a rally condemning corruptions in high offices.

Park deploys armed soldiers against Korea University, and arrests five students.

October 6, 1971 The 3rd meeting of the North and South Korea Red Cross Preliminary Conference agrees to hold meetings of the main talks in Seoul and in Pyongyang alternately.

October 7, 1971 2,000 students of Korea University, and 1,000 students of Yonsei University demonstrate in protest of Park's deployment of armed forces against Korea University.

More demonstrations and more protest meetings and student hunger strike follow several days.

October 13, 1971 14 student association presidents of universities across the nation demand punishment of officials responsible for the deployment of armed forces against Korea University, release of students illegally detained, and halt of campus surveillance.

October 15, 1971 Park declares state of emergency. Troops of Capital Defense Command occupy Yonsei University and Korea University.

National Federation of Student Associations protests.

Park orders eight major universities in the nation closed.

October 16, 1971 Army Security Command arrests an editor of the Dong-A Ilbo for reporting the military deployment against Korea University.

Park's army and police arrest 1,889 students.

October 20-25, 1971 National Security advisor to the U.S. President, Henry A. Kissinger visits Peking for the second time to arrange President Nixon's visit to Communist China.

October 25, 1971 UN General Assembly adopts the Albanian Resolution to replace the Republic of China (Taiwan) with the People's Republic of China as its member state.

November 9, 1971 Park lifts the state of emergency.

Hyung-Dae Construction Company's former technicians in Vietnam demand the company pay their allowances.

November 12, 1971 KCIA announces arrest of four Seoul National University students under subversen charges for organizing demonstrations.

November 20, 1971 Army Security Command announces arrest of 12 North Korean spies in Seoul and Pusan.

As of September 30, there are 204 corporations operating with government-guaranteed foreign loans of which 147 are private businesses. Of the 147 private firms, 26 are already bankrupt, according to the Economic Planning Board.

November 24, 1971 U.S. General Motors informs Park of its decision to invest in Korea.

December 4, 1971 India and Pakistan enter into an open war.

December 6, 1971 Park declares state of national emergency, one step short of martial law, claiming that the admission of the People's Republic of China into the UN and the warlike posture of North Korea make it necessary to strengthen national security.

December 8, 1971 KCIA interrogates the publisher of the Dong-A Ilbo for his paper's editorials of December 7 and 8 criticizing Park's state of national emergency.

December 9, 1971 1,000 troops of the Blue Dragon (Marine) Division arrive in Pusan. A part of Korean troop withdrawal from Vietnam.

December 27, 1971 Park's Democratic Republican Party members of the National Assembly pass the National Security Special Measures Law with little debate in a day without opposition National Assemblymen present. Park immediately promulgates the law.

January 3, 1972 Park sends former Prime Minister Chung Ti-Kwon, as his special envoy, to Japanese Prime Minister Sato; asks Sato to support Park's declaration of state of national emergency when he meets with President Nixon on January 6 and 7; asks Japan to provide an emergency assistance of \$300 million in commodities.

January 6-7, 1972 President Nixon and Japanese Prime Minister Sato meet at San Clemente. Announce Okinawa will be returned to Japan on May 15, 1972.

February 17, 1972 The 19th meeting of the North and South Korean Red Cross Preliminary Talks agree on the outline of an agenda for a plenary conference, and agree to hold a working level conference to arrange it.

February 21, 1972 The working level conference of the North and South Korean Red Cross Talks meet for the first time.

February 21-28, 1972 President Nixon visits Peking. A joint communique issued in Shanghai, on 27th of February. Commonly known as "Shanghai Communique".

February 29, 1972 The first step of Korean troop withdrawal from Vietnam completed. Korean troop strength in Vietnam is now 37,000.

March 31, 1972 Park arrests a Catholic priest, editor of a Catholic magazine "Chang-Jo", for publishing a poem of Kim Chi Ha, "Groundless Rumor".

The Taegu Ilbo, a daily in Taegu, voluntarily closes down.

Korean Journalists Association adopts a resolution to defend freedom of the press.

April 7, 1972 The government bans monthly magazines, "Chang-Jo", "Tari", and "Ssi-al-eui-Sori".

April 12, 1972 KCIA arrests poet Kim Chi Ha.

April 16, 1972 More than 100 airplanes including B52's of U.S. Air Force and Navy bomb Hanoi and Haiphong. (First time since the halt of bombing Hanoi in April 1968, and first time B52's bombing of Haiphong.)

May 2-5, 1972 KCIA Director Lee Hu-Rok secretly visits North Korea, and meets with Kim Il Sung in Pyongyang. (Not made public until July 4, 1972.)

May 29-June 1, 1972 North Korean Vice Premier Park Sung-Chul secretly visits Seoul, meets with Park Chung-Hee and KCIA Director Lee Hu Rak. (Not made public until July 4, 1972.)

June 3, 1972 U.S., Britain, France and the Soviet Union sign Berlin Agreement in West Berlin.

West Germany and Poland establish diplomatic relations.

June 5, 1972 80 National Assemblymen of the New Democratic Party demonstrate in the streets to demand lifting of the current state of national emergency, and normalization of the National Assembly functions.

June 6, 1972 National Assemblyman Kim Dae-Jung proposes a 3-step national unification policy---Step 1, North-South peaceful coexistence; Step 2, expansion of North-South interchange; Step 3, political unification of North-South.

June 19-23, 1972 National Security advisor Henry Kissinger visits Peking to discuss U.S.-China relations.

June 27-28, 1972 The 2nd U.S.-Korea Consultation Conference meets in Colorado. A joint communique reaffirms effective U.S. support to South Korea in case of armed invasion from the North.

June 27, 1972 Secretary of State Rogers attending SEATO conference calls North Korea by its official name Democratic People's Republic of Korea. (First time U.S. ever used it.)

June 30, 1972 500 stores of Tongdaemoon Market in Seoul temporarily close in protest of proportionately heavier tax on ever-shrinking small businesses.

July 3, 1972 National Assembly reconvenes at the request by coincidence of both government and opposition parties, after half a year since the declaration of state of national emergency.

July 4, 1972 Seoul and Pyongyang governments simultaneously issue a surprise 7-point Joint Communique for for Peaceful Unification of North and South Korea, signed by KCIA Director Lee Hu-Rak for the South and by Kim Young-Joo, brother of Kim Il Sung, for the North.

July 13, 1972 National Assemblyman Kim Dae-Jung of the New Democratic Party proposes a simultaneous entrance to the UN of both North and South Korea.

August 2, 1972 At midnight, Park declares "Emergency Decree for Economic Stability and Growth" freezing all loans of private lending sources.

August 9, 1972 Stephen Cardinal Kim in a press interview criticizes Park's policies as totalitarian, "attempting to blind the eyes and plug the ears of the people."

August 11, 1972 The 25th preliminary meeting of North-South Korean Red Cross Talks agrees to hold the 1st plenary session in Pyongyang on August 30, and the 2nd plenary session in Seoul on September 13, 1972.

August 30, 1972 The 1st plenary session of North-South Korean Red Cross Talks opens in Pyongyang as scheduled. South Korean national radio networks broadcast the meetings from Pyongyang.

September 2, 1972 Park sends a policy statement for 1973 to the National Assembly emphasizing on reorganization of South Korean internal system to meet the competition with the North, and elimination of side effects caused by the extraordinary economic growth.

September 8, 1972 South Korean Athletic Association president Kim Taek-Boo and North Korean Olympic Committee chairman Oh Joo-Hyun meet in Munich, Germany, and agree to have athletic exchange between North and South Korea.

September 8, 1972 Park closes down Seoul news bureau of the Yomiuri (a Japanese major daily), and deport its correspondents in reprisal of the article on North Korea in its sister weekly magazine's supplement.

September 11, 1972 The representative of the Yomiuri visits Korean Embassy in Tokyo to offer the newspaper's apology for offending Park, and promises to retrieve copies of the magazine's supplement.

September 13, 1972 The 2nd plenary session of the North-South Korean Red Cross Talks convenes in Seoul, and discusses the question of reuniting the separated families at their own free will in the spirit of the Red Cross.

September 23, 1972 The UN General Assembly votes to postpone the discussion of Korean Question for another year in view of the recent North-South rapprochement.

September 28, 1972 North-South Coordinating Committee co-chairman Lee Hu-Rak (KCIA Director) warns all Korean media organizations to take extra caution in reporting the issues of North-South dialogue.

September 29, 1972 Japan and China issue a joint communique to announce establishment of diplomatic relations.

Japan breaks off diplomatic relations with the Republic of China (Taiwan).

October 1, 1972 Park, in his Armed Forces Day speech, contends a need for restrengthened defense power in order to support the North-South dialogue.

October 3, 1972 Park's official spokesman (but not the Japanese government) announces that Park and his wife will make "a state visit to Japan, November 3-6, 1972, at the invitation of the Japanese Emperor."

October 12, 1972 The 1st meeting of the North-South Coordinating Committee's co-chairmen at Panmunjom.

October 17, 1972 Park declares Martial Law, and announces the "October Revitalizing Reform (Yushin)" plan, claiming the shifting and changing international situation (Nixon's visit to Peking) and the "need for a strong base from which to negotiate with the Democratic People's Republic of

Korea." Park's acts include: (a) dissolving the National Assembly, (b) closing all colleges and universities, (c) total censorship of news media by the military.

October 18, 1972 National Assemblyman Kim Dae-Jung of the New Democratic Party issues a statement protesting Park's martial law, in Tokyo where he has been visiting.

October 18, 1972 A conference for major commanders of all Korean military forces announces its resolution of complete support for Park's "Yushin" declaration.

October 20, 1972 Park's official spokesman announces cancellation of Park's state visit to Japan.

October 24, 1972 The 3rd plenary session of the North-South Korean Red Cross Talks convenes in Pyongyang, North Korea.

October 27, 1972 Park announces his own "Constitutional amendment bill" ostensibly approved by the "emergency meeting" of his cabinet which has replaced the National Assembly under Martial Law.

November 2-4, 1972 The 2nd meeting of the North-South Coordinating Committee's co-chairmen in Pyongyang, North Korea.

November 3, 1972 The North-South Coordinating Committee's co-chairman for South Korea Lee Hu-Rak (KCIA Director) meets with Kim Il Sung in Pyongyang.

November 7, 1972 President Nixon re-elected, defeating Sen. McGovern.

November 11, 1972 Both North and South Korea stops broadcasting propaganda against one another which has continued for 24 years since the division of Korea.

November 13, 1972 President Nixon's special envoy briefs Park in Seoul on Vietnam Peace Talks.

November 18, 1972 The Yomiuri's vice president Hara visits Seoul, and apologizes for the publication of the paper's weekly magazine supplement on North Korea, whereupon Park's government allows reentry of the Japanese paper's correspondents into Korea.

November 21, 1972 During the state of martial law under a ban on criticism or discussion of Park's "Constitutional amendment bill", a national referendum ratifies "Yushin" Constitution giving President virtually unlimited powers.

November 22, 1972 The 4th plenary session of the North-South Korean Red Cross Talks meets in Seoul, and agrees to set up a joint organization to solicit information about separated families and relatives.

November 30, 1972 The 3rd meeting of the North-South Coordinating Committee's co-chairmen convenes in Seoul, agrees to make the committee a permanent body.

December 1, 1972 Park Chung-Hee meets with Park Chung-Chul, North Korean chief delegate to the North-South Coordinating Committee meeting in Seoul.

December 6, 1972 Park proclaims establishment of a new body called "National Council for Unification", and announces its election to be held on December 15, 1972.

December 13, 1972 Park lifts Martial Law, but under the "Yushin" constitution, any criticism of the constitution, government, or Park himself is a serious crime constitutionally banned.

December 15, 1972 Elections for the new National Council for Unification which is an electoral college according to Park's "Yushin" constitution to elect President.

December 18, 1972 The largest scale bombing of Hanoi and Haiphong by U.S. planes. (The largest ever in the Vietnam War.)

December 22, 1972 Prime Minister Tanaka of Japan forms his cabinet. Tanaka's second term.

December 23, 1972 Park is re-elected by the new National Council for Unification. President Nixon sends congratulations.

December 26, 1972 Former President Truman passes away.

December 27, 1972 Park's inauguration.

December 27, 1972 The Supreme People's Assembly of North Korea adopts a new constitution, called "the Socialist Constitution", and proclaims it immediately effective.

Park formally proclaims his "Yushin" constitution by which he has already become the president, allowing him to be re-elected for an unlimited number of 6-year terms, and giving him power to suspend the rights of the Korean people in an even wider range of situations. (The outcome of a study by a group of scholars at Columbia University states that this constitution is fundamentally anti-democratic, authoritarian in nature, and designed to perpetuate the autocratic power of the president.)

December 28, 1972 Kim Il Sung is re-elected by the Supreme People's Assembly of North Korea in accordance with the new constitution which now calls him "president" instead of "premier".

January 5, 1973 Prime Minister Kim Jong-Pil (visiting Washington ostensibly to attend the memorial service for the late President Truman) visits the White House and meets with President Nixon who, according to reports, gives Kim an assurance of no U.S. objection to Park's "October Revitalizing Reform (Yushin)" plan.

January 11, 1973 Kim Jong-Pil meets with Japan's Prime Minister Tanaka in Tokyo on his way home from Washington and reaffirms continued cooperation between the two governments.

January 19, 1973 Park revises five laws concerning the judicial branch, discarding the clauses prohibiting double jeopardy, etc., depriving Chief Justice of the Supreme Court the authority to appoint judges, and empowers himself to do so.

January 23, 1973 Park orders an expansion of already infamous "Anti-Communist Law" and "National Security Law" for even wider range of application.

January 24, 1973 Park announces that Korean armed forces will withdraw from Vietnam immediately upon armistice.

January 27, 1973 Vietnamese armistice agreement is signed in Paris between the U.S., South Vietnam, North Vietnam, and the Provisional Government of Vietnam (Vietcong). Effective January 28, 1973.

February 2, 1973 Park's "Emergency Cabinet Meeting" adopts a new National Assembly law, which gives Speaker greatly expanded powers while its own powers are reduced.

February 18, 1973 U.S. Senate Foreign Affairs Committee releases a staff report of November, 1972, on Korea and the Philippines. The section on Korea is highly critical of Park's "Yushin" plan, and concludes that Park will remain indefinitely in power unless he himself decides to resign, or dies, or is overthrown by a revolution.

February 27, 1973 General elections for the new sterilized National Assembly. Of the 146 elected, 73 were Park's Democratic Republican Party members, 52 were New Democratic Party members, 2 were Democratic Unification Party members, and 19 were independent. Park will appoint 49.

March 12, 1973 The new National Assembly convenes.

Park promulgates a law banning public rallies and demonstrations.

March 13, 1973 Park promulgates 3 revised laws, including one that deprives workers of the right to strike.

March 14, 1973 Commander of the Korean Armed Forces in Vietnam, Lt. Gen. Lee Sei-Ho returns to Seoul. Now the withdrawal of Korean troops from Vietnam has been actually completed.

March 14-16, 1973 Lee Hu-Rak and delegation go to Pyongyang for the North-South Coordination Committee co-chairmen's meeting. The meeting ends without a joint communique.

March 21-22, 1973 The 5th plenary session of the North-South Korean Red Cross Talks meets in Pyongyang to discuss the matters pertaining to the news about and addresses of the separated families.

March 29, 1973 U.S. troop withdrawal from Vietnam is now completed. President Nixon declares it is the end of the Vietnam War.

April 13, 1973 Park orders all news media ~~not~~ to report on the anniversary of the Student Revolution of April 19, 1960, which toppled the Syngman Rhee government.

April 17, 1973 North Korea is admitted to the World Health Organization at its general conference in Geneva, Switzerland.

April 28, 1973 Military court martial finds Maj. Gen.

Yoon Pil-Yong, commanding general of the Capitol Defense Command (Park's palace guard division of hand-picked loyal soldiers), guilty of embezzlement and bribery; and sentences him to prison for 15 years. Yoon was a longtime confidant of Park but suddenly arrested for unknown reasons of their political infight among Park's close associates about 3 weeks ago. His arrest had been kept secret for 2 weeks.

May 7, 1973 A large group of Korean Christians ministers adopt a "Theological Declaration of Korean Christians" on human rights and democratic freedoms.

Rev. Park Hyung Kyu is arrested along with 15 other Christians on charges of "plotting to overthrow the government by force." The charge stemmed from the distribution of leaflets at an Easter Sunrise Service calling for a "revival of democracy."

May 9-10, 1973 The 6th plenary session of the North-South Korean Red Cross Talks meets in Seoul.

May 17, 1973 Korean Counter Intelligence Corps Headquarters announces that two North Korean armed spies were found on the island of Kumgang, Cholla-namdo Province, on May 5; and one of them was killed and the other escaped.

May 20, 1973 The Soviet Union invites South Korea to participate in the Universiad to be held in Moscow. Unprecedented gesture.

May 15, 1973 North Korea announces capture of a South Korean spy.

May 27, 1973 The Soviet Union issues visa to South Korean delegate, Ryu Duk-Hyang, to the conference of the International Theatrical Art Society, scheduled in Moscow. The first case of the Soviet Union giving visa to a South Korean national.

June 5, 1973 Jai Hyun Lee, Korean Embassy's chief cultural and information attaché and director of the Korean Information Office in the U.S., resigns; in protest of Park's increasingly dictatorial policies, publicly denounces Park's "Yushin" plan as anti-democratic and repressive, and seeks political asylum in the U.S. under the threat of Park's KCIA reprisal. First case of South Korean senior official seeking asylum abroad.

June 12, 1973 The North-South Coordinating Committee meets in Seoul. South Korea proposes a full-scale opening of North-South exchange, while North Korea contends mutual reduction of armament and conclusion of a peace treaty first. The meeting ends on June 13, without reaching any agreement.

June 21, 1973 KCIA announce the arrest of Executive Secretary Kim Nak-Joong and 9 others of Korea University's Labor Relations Research Institute under the charges of "anti-state activities".

June 23, 1973 Kim Il Sung contends, in response to Park's special statement, that North and South Korea should enter the UN under one name ("Federal Republic of Korea").

July 10, 1973 Kim Dae Jung, living in self-exile since Park's "Yushin" coup-in-office, comes from the U.S. to Japan.

July 11, 1973 The 7th plenary session of North-South Korean Red Cross Talks meets in Pyongyang.

July 27, 1973 Ministry of Education instructs all colleges and universities that no faculty member can release his research paper or findings to any media without prior clearance of the government agency concerned.

July 27, 1973 Secretary of State Rogers announces that the U.S. troops in Korea cannot be cut back until Korean Forces modernization program will have been completed.

August 8, 1973 Kim Dae Jung is kidnapped by the KCIA agents from a Tokyo hotel during the broad daylight.

August 13, 1973 Kim Dae Jung is released near his house in Seoul under the mounting pressure of international opinion.

August 16, 1973 Park places Kim Dae Jung under house arrest.

August 19, 1973 North Korean Communist Party organ, *Lodong-Shinmo*, comments that the kidnapper of Kim Dae Jung is in Seoul.

August 20, 1973 In regard to the kidnapping of Kim Dae Jung, U.S. Secretary of State Rogers notifies South Korean government that the U.S. opposes any unlawful activities of South Korean government agents.

August 23, 1973 The *Yomiuri*, a Japanese major daily, reports that "a high Korean government source confirmed that the KCIA agents have been involved in the kidnapping of Kim Dae Jung."

August 24, 1973 Park closes down the *Yomiuri's* Seoul news bureau, and departs its correspondents.

August 26, 1973 Defense Secretary Schlesinger states that U.S. troops will be further reduced when North and South Korea establish a stable relations between the two.

August 28, 1973 Kim Young-Joo, co-chairman for North Korea of the North-South Coordinating Committee, criticizes the KCIA's role in the kidnapping of Kim Dae Jung, and demands removal of Lee Hu-Rak (KCIA Director) from the co-chairmanship of the North-South Coordinating Committee, in a statement.

August 29, 1973 Lee Hu-Rak counterattacks the statement of Kim Young-Joo, co-chairman for North Korea of the North-South Coordinating Committee, insisting on the KCIA's "innocence" of kidnapping Kim Dae Jung; and demands retraction of the statement.

September 5, 1973 Japanese Government officially implicates the South Korean government in the kidnapping of Kim Dae Jung.

September 6, 1973 The United Nations Commission for Unification and Rehabilitation of Korea (UNCURK) submits its annual report to the UN General Assembly, stating that the UNCURK is no longer needed to remain in Korea; and recommends it be dissolved.

September 11, 1973 White House national security advisor Kissinger testifies before a Senate committee that U.S. troops in Korea will be gradually reduced over a period of 5 to 10 years, when the current dialogue between North and South Korea yields a successful result; and that China opposes ideologically but not practically the stationing of U.S. troops in Asia.

A coup d'etat in Chile overthrows the Allende government. Gen. Pinochet quickly becomes President of Chile on September 12,

September 14, 1973 Park orders the Korean Marine Corps abolished and integrated into the Navy. It becomes a reality on October 10, in an official ceremony. (In 1961, the Marine Division stationed along the Han in the Kimpo area near Seoul helped Park's coup. Ironically, however, the crack Marines near Seoul have become one of

Park's nightmares ever since, despite his own palace guard the Capitol Defense Command, composed of hand-picked crack troops loyal to Park.)

September 18, 1973 The 28th UN General Assembly opens.

East and West Germany are simultaneously admitted to the UN.

For the first time, North Korea is invited as an observer to attend the UN General Assembly.

Hence, observer delegations of both North and South Korea simultaneously attend the UN General Assembly.

September 18, 1973 About 1,000 employees of Sam-Lip Food Company in Seoul strike for higher wages.

September 21, 1973: Police arrests a leader of the striking employees of Sam-Lip Food Company.

September 27, 1973 More than 1,000 stores in Tongdaemoon Market of Seoul temporarily close down in protest of the new large business tax increase.

September 28, 1973 Visiting Korea ostensibly to attend the 10th executive committee meeting of the Japan-Korea Cooperation Committee (a well known Park's lobbying group in Japan, composed of current and former Japanese Cabinet and Diet members, big business leaders and financiers, etc.). Former Japanese prime minister Nobusuke Kishi meets with Park to work out a political deal to settle the case of kidnapping Kim Dae Jung. Park is reported to have insisted that the Kim Dae Jung kidnap case should have no bearing on the continuation of Japanese economic aid to Korea.

October 2, 1973 250 students of Seoul National University: College of Liberal Arts and Sciences hold a rally on campus and proclaim a declaration of conscience. Their demands include: (1) Suspend the dictatorship, and establish free democracy to guarantee basic rights of the people; (2) Guarantee the survival of the people by stopping Japanese economic colonization of Korea; (3) Dissolve immediately

the KCIA; (4) Clarify the truth about the Kim Dae Jung kidnapping case.

Consequently 180 of them were arrested.

With this, nationwide demonstrations and strikes begin and continue until the end of November.

October 3, 1973 Under Secretary of State Porter suggests in a statement that the U.S. will maintain the current structure of the armistice in Korea, but it should seek some other arrangement on which all the concerned parties could agree.

October 4, 1973 200 students of Seoul National University's College of Law demonstrate. 31 students arrested.

The Dong-A Ilbo, a major daily in Seoul, publishes the day's edition with blank spots where news articles on the student demonstrations were censored out by Park's KCIA censors.

October 5, 1973 200 students of Seoul National University's College of Business hold rally on campus. 3 students arrested.

October 6, 1973 More demonstrations on Seoul National University campus. 20 students arrested.

October 8, 1973 Newspapers across the nation ignore the government orders of October 2, and begin to report student demonstrations of Seoul National University.

October 11, 1973 Seoul National University punishes students for organizing demonstrations. 56 students are suspended indefinitely from the university; 23 dismissed; 18 voluntarily withdrew from the university in protest.

October 16, 1973 Secretary of State Kissinger, following his visit to China and Japan, visits Korea and meet with Park. Park's spokesman announces that Kissinger and Park discussed matters of mutual interest pertaining to the maintenance of peace in Asia and Pacific region. (Not a single word or gesture from Kissinger about human rights.)

October 17, 1973 10 OAPEC countries decide to reduce production of oil for the U.S. and other countries supporting Israel at a graduated rate of 5% per month.

October 21, 1973 UN Security Council's emergency session adopts the U.S.-U.S.S.R. joint resolution for Middle East cease-fire. (Israel and Egypt accept the resolution on October 22.)

October 24, 1973 Stephen Cardianl Kim speaks to 1,200 Catholic leaders not to disregard social injustices.

October 25, 1973 KCIA announces that Prof. Choi Jong-Gil killed himself while being detained for interrogation.

Prof. Choi was secretly taken to KCIA after he defended students. But KCIA claims he was linked to a large North Korean spy ring that included Government employees of South Korean missions in Europe and university professors.

October 26, 1973 Park lifts house arrest of Kim Dae Jung after 71 days. Kim Dae Jung denies government charges against him in press conferences.

October 27, 1973 Korean government sends a note to UN Secretary-General Waldheim that alternate measures must be established to maintain the current Armistice Agreement before dissolving the UN Command in Korea.

October 29, 1973 Faculty Council of Seoul National University decides to reinstate 55 students who have been suspended from the university for organizing demonstrations.

November 2, 1973 Prime Minister Kim Jong-Pil goes to Tokyo, and offers an official apology of the Korean government to Prime Minister Tanaka for the Kim Dae Jung kidnapping incident. Both governments announce the disputed case has been "settled."

November 4, 1973 OAPEC countries ministerial conference decides an immediate reduction of oil production by 25%.

- November 5, 1973 A group of 15 intellectuals, including Kim Chie Choon, Hahn Sok-Hon, Chon Kwan-Woo, proclaims a "Declaration for Restoration of Democracy".
- 700 students of Kyong-Book University in Tagu hold a rally on campus. 200 of them demonstrate in the streets.
- Students of Seoul National University's Teachers College begin a strike protesting the dictatorship.
- November 7, 1973 Students of Seoul National University's College of Business and College of Engineering start protest strikes against Park's "Yushin" policies.
- November 8, 1973 Julie Moon, Washington correspondent for the Moon-hwa Broadcasting Co. of Seoul, issues a public statement demanding freedom of the press in Korea and denouncing Park's dictatorship; and exiles herself in the U.S.
- November 9, 1973 Students of Seoul National University's College of Agriculture and College of Dentistry, and Hankook Theological Seminary also begin protest strikes.
- November 11, 1973 Egypt and Israel sign armistice after 36 days of war.
- November 12, 1973 Korean Counter Intelligence Corps Headquarters announces that North Korea has resumed anti-South Korean propaganda broadcasting since the North-South dialogue became deadlocked on August 28.
- 4,000 students of Ewha Women's University hold a rally protesting Park's dictatorship, and decide to wear black ribbons symbolizing the death of democracy.
- November 13, 1973 Some 20 students of Korea University begin hunger strike.
- Students of Choong-ang University begin strike in classrooms.

November 14, 1973 UN General Assembly's First Committee begins discussion of Korean question. For the first time in the history of UN, North Korean delegate is invited to address the General Assembly. North Korean delegate demands UN Command be dissolved and foreign military forces in Korea be withdrawn. He contends that the simultaneous entry to the UN of North and South Korea is a conspiracy to maintain "Two-Korea policy" indefinitely.

November 15, 1973 2,000 students of Korea University hold a rally and demonstrate on campus demanding a return to democracy. Police charge into the university to disperse them.

November 16, 1973 3,500 students of Sook-myung Women's University and 1,500 students of Yonsei University hold rallies on their respective campuses, and start protest strikes.

November 17, 1973 Harvard University professor Edwin O. Reischauer arrives in Seoul to personally extend an invitation to Kim Dae Jung to study at Harvard as a fellow.

November 20, 1973 UN General Assembly's First Committee agrees to avoid confrontation in the discussion of Korean question. Two groups of nations supporting South Korea and North Korea confirm common points in the Northern and Southern resolutions, and decide to withhold the committee's decision.

November 21, 1973 Vice co-chairman for South Korea of the North-South Coordinating Committee propose a meeting at Panmunjon on November 27.

November 23, 1973 Seoul National University closes for a winter vacation a month ahead of schedule.

November 24, 1973 30 leaders, representing journalists, academics, Christian clergies, lawyers, etc., adopt a human rights manifesto demanding freedom of the press and discontinuation of the KCIA surveillance on campuses.

November 27, 1973 U.S. Senate and House Conference Committee agree to add certain conditions to the U.S. foreign aid program. One of the conditions: "Section 21. It is the sense of Congress that the President should deny any economic or military assistance to the government of any foreign country which practices the internment or imprisonment of that country's citizens for political purposes."

North Korea counterproposes December 5 as the date of meeting at Panmunjom of the North-South Coordinating Committee. The date South Korea originally proposed was November 27.

November 28, 1973 UN General Assembly's Plenary Session accepts without voting the agreement of the First Committee of November 20, on withholding the discussion of Korean question.

UNCURK is terminated in accordance with the decision of the UN General Assembly.

November 27, 1973 500 students of Sungkyunkwan University demonstrate. 50 of them arrested.

38 students members of Saemoonan Church in Seoul demonstrate.

November 28, 1973 4,000 students of Ewha Women's University demonstrate in the streets. Later the day, 3,000 of them hold an overnight rally on campus.
Students of Kunkook University and Korea University also demonstrate on their respective campuses.

November 29, 1973 Korean Journalists Association adopts a resolution reaffirming their determination to defend freedom of the press.

2,000 students of Yonsei University hold an overnight rally on campus after street demonstrations earlier the day.

Demonstrating students of Tongkook University and Korea University clash with police.

Students of Sookmyong Women's University, Kyung-Hee University, and Hanyang University hold rallies, demonstrating and some start hunger strike.

November 30, 1973 170 reporters of the Joong-ang Ilbo and the Tongyang Broadcasting Company go on strike for one-half day to show their unity and determination to struggle for the defense of freedom of the press.

Students of Sogang University, Choong-ang University, Korea University, and other universities continue demonstrations.

The faculty and administration of Ewha Women's University recommend Park's government to release the arrested students, and to guarantee freedom to criticize.

December 1, 1973 Student demonstrations continue in Seoul, Pusan, Taegu, and other cities across the nation, demanding a return to democracy, and the government's true explanation of the Kim Dae Jung kidnapping case.

December 3, 1973 Park reshuffles his cabinet, and dismisses his long-time confidant Lee Hu-Rak, Director of the KCIA, in the aftermath of riotous student demonstrations, demands by religious leaders, and indirect foreign pressure.

Consequently, Lee Hu-Rak is replaced by Chang Key Young as the co-chairman for South Korea of the North-South Coordinating Committee.

Student demonstrations continue at Chon-nam University in Kwangju, Kyong-book University in Taegu, and Ewha Women's University in Seoul.

Government orders universities and colleges throughout the country to close for winter vacation---three weeks earlier than the schedule.

200 reporters of the DongA Ilbo hold a meeting, and proclaim a declaration to defend freedom of the press.

December 4, 1973 Vice co-chairmen of the North-South Coordinating Committee meet at Panmunjom.

December 4, 1973 The Newspaper Editors Association of Korea issues a statement to endorse the November 29 resolution of the Korean Journalists Association for the defense of freedom of the press.

December 6, 1973 Secretary of State Kissinger indicates U.S. willingness to discuss alternative measures to replace the Korean Arms-Treaty Agreement.

December 8, 1973 The Student Association of Seoul National University-College of Liberal Arts and Sciences issues a statement criticizing Park's policies.

120 students of Shin-II High School hold a rally at the April Student Revolution Memorial Center, and clash with police.

December 13, 1973 Former president Yun Posu and 14 other prominent statesmen call for revision of Park's "Yushin" constitution.

December 16, 1973 700 Protestant and Catholic church leaders hold prayer meeting "for the defense of Church and human rights."

Stephen Cardinal Kim calls for revision of Park's "Yushin" constitution.

December 17, 1973 A conference of Korean armed forces commanders of Army, Navy, Air Force, and Marine Corps is called. The conference declares that between the South and North Korea, there is now the highest tension ever experienced since the time of the July 4 Joint Communique, and announces its decision to place all military units on the alert of ready military action against North Korean surprise attack.

December 19, 1973 Some 20 students of Ewha Women's University demonstrate at the Kimpo International Airport against the government-run prostitution in the name of promoting tourist industry.

December 21, 1973 Labor unions of Korean workers in foreign investors' firms throughout the country go on strike demanding wage increase.

December 24, 1973 Chang Joon-Ha (former publisher and National Assemblyman who received the Magsaysay Award for his journalistic service to democracy in Asia), Hahn Sok-Hon (Quaker leader), Bishop Tji Hak-Soon, poet Kim Chi-Ha, Park Ki-Wan and 25 other prominent citizens announce a "Constitutional Revision Movement" aimed at collecting one million signatures. (According to Japanese newspapers, 400,000 signatures were collected within two weeks.) A hopeful exuberant mood of a new beginning is felt throughout South Korea, according to the news reports.

December 26, 1973 Prime Minister Kim Jong-Pil announces on the radio-TV that "a challenge to the 'Yushin' constitution is an action beyond the permissible limit of freedom" and, therefore, the "instigators" will be punished.

December 29, 1973 Park issues a stern statement condemning the collection of signatures to ask for revision of the "Yushin" constitution as "subversive activities" which must be stopped immediately.

Foreign Minister announces that Lee Hu-Rak, former KCIA director, secretly left the country on December 19.

January 1, 1974 3,000 YMCA members demonstrate in the street of Seoul after a prayer meeting

January 7, 1974 61 prominent literary figures support the signature collecting campaign of Constitutional Revision Movement.

Former National Committee chairman of the ruling Democratic Republican Party Chung Koo-Young bolt from the party in protest of Park's "Yushin" constitution.

January 8, 1974

Park responds to the Constitutional Revision Movement by declaring a new state of emergency.

Emergency Measure (decree) No. 1 makes it illegal "for any person to deny, oppose, misrepresent, or defame" his constitution, or "to assert, introduce, propose, or petition for revision or repeal of the Constitution."

Emergency Measure No. 2 establishes special military courts martial, appoints generals as presiding judges who, in addition to matters included under Emergency Measure No. 1, preside over "matters which are not provided in the Emergency Measures," gives the director of KCIA powers to coordinate and supervise all activities concerning the investigations and security protection relating to these Emergency Measures, and provides for unlimited periods of detention and confinement in prisons, hospitals, and at home under "appropriate restriction and supervision".

Park justifies each of the emergency measures on the basis of "rooting out subversive elements, restoring internal tranquility and tiding over the economic crisis.

January 9, 1974 Ministry of Culture and Information officially announces that these emergency measures equally apply to foreign correspondents.

January 10, 1974 Ministry of Culture and Information warns Japanese correspondents in Korea that they will be subjected to punishment under these emergency decrees if they criticize Park's constitution in their reporting.

January 14, 1974 Park proclaims Emergency Measure No. 3, "legalizing" government takeover of the economic sector.

January 15, 1974 Park arrests Chang Joon-Ha and Park Ki-Wan, leaders of the Constitutional Revision Movement, under the charges of violating his Emergency Measures No. 1 and No. 2.

(hereafter, a large number of intellectuals, students, and members of Christian community suspected to have aided the Constitutional Revision Movement are arrested and sentenced to prison terms between 5-10 years; others interrogated and harassed.)

January 18, 1974 Park, in a statement, proposes to North Korea a non-aggression treaty aimed at no military invasion against one another, maintenance of the current armistice agreement, and no interference in internal affairs of the other party.

January 21, 1974 Park arrests Rev. Kim Kyung-Nak and 10 others for violation of his Emergency Measures.

January 26, 1974 Assistant Secretary of State Robert Ingersoll visits Seoul, and talks with Park. Park discusses his non-aggression treaty proposal to North Korea.

January 26, 1974 Park arrests 7 students of Yonsei University for violation of Emergency Measure No. 1.

January 30, 1974 Vice co-chairmen of the North-South Coordinating Committee meet and discuss a reorganization plan for expansion of the Committee.

February 1, 1974 Court martial sentences Chang Joon-Ha and Park Ki-Wan to 15 years of imprisonment.

February 2, 1974 Court martial sentences 7 students of Yonsei University to prison for 5 to 10 years.

February 25, 1974 Representatives of the North-South Coordinating Committee meet.
February 27, 1974 The 4th meeting of the vice co-chairmen of the North-South Coordinating Committee.

February 27, 1974 Lee Hu-Rak, former KCIA director, returns to Korea from Bahamas 70 days after he secretly left Korea for an unknown destination.

March 4, 1974 Defense Secretary Schlesinger reaffirms the U.S. policy of keeping one U.S. division in Korea.

March 19, 1974 President Nixon comments to the press that U.S. troop withdrawal from Korea will invite unfortunate consequences in the long run.

March 28, 1974 Defense Secretary Schlesinger announces that U.S. troops in Korea will be reorganized into a task force in reserve, and will continue to station in Korea.

March 23, 1974 North Korean Foreign Minister Ho Dam proposes a direct contact with the U.S. for negotiation of a peace treaty to replace the Armistice Agreement.

March 25, 1974 U.S. State Department comments to the press that the question of replacing the Armistice Agreement is a matter to be settled between North and South Korea themselves.

April 1, 1974 Universities in 4 major cities including Seoul attempt to hold large demonstrations but are prevented by government agents who got hold of the secret plans. 40 students are arrested.

April 3, 1974 Park decrees Emergency Measure No. 4.

This decree, one of the more extreme ones against students and universities throughout the nation, makes it a crime punishable by death for students who refuse to attend classes or join in demonstrations, discussions, rallies or any other type of political activity; and specifically provides that these penalties shall also be applied to any individual who acts in concert with students.

The decree provides for arrest, detention, search and seizure without warrant, trial, and sentencing by Emergency Court Martial.

800 are arrested. A search is started for dozens of student leaders with up to \$5,000 rewards offered.

April 9, 1974 Students of Seoul National University-Engineering College hold a rally condemning Park's "Yushin" dictatorship.

Government announces that 261 members of the "communist-inspired" Federation of Democratic Youth and Students Organizations voluntarily surrendered to the government authorities.

April 18, 1974 KCIA announces that it arrested Kim Young-Jo, Ko Byung-Taek and 3 others, "communist spies" whose mission was to investigate anti-government activities.

May 4, 1974 Government arrests Lee Won-Dai, a reporter of the Joong-ang Ilbo, and "interrogates" reporters of the Dong-A Ilbo for reporting the scandal of illegal bank loans (\$7.5 million) to Park Young-Bok, in which KCIA members were involved.

May 6, 1974 Police Headquarters announces to have arrested a Communist spy ring of 30 members including university professors.

May 6, 1974 West German Chancellor Willy Brandt resigns for his staff member's espionage for East Germany became a political issue.

May 9, 1974 U.S. Senate begins hearings for a possible impeachment of President Nixon.

May 14, 1974 KCIA announces voluntary surrender of a North Korean spy, Cho Chan-Hwan, who have maneuvered to create discordance between Japan and South Korea.

May 21, 1974 State Department officially confirms U.S. troops in Korea has been reduced from 42,000 at the end of 1973 to 38,000 now.

May 29, 1974 Representatives meeting of the North-South Korean Red Cross Talks agrees to hold a working level conference on July 10.

June 1, 1974 Seoul District Court subpoenas Kim Dae-Jung to try him for "violation" of now-defunct election law in the 1971 presidential election campaign.

June 4, 1974 Government cancels the visa of Elizabeth Pond, Tokyo correspondent of the Christian Science Monitor.

June 5, 1974 State Department announces that the cancellation of Elizabeth Pond's visa by the South Korean government is an invasion of the right to report.

June 9, 1974 Hong Chong-Chul, special assistant to Park for investigation of official corruption is mysteriously drowned in a reservoir.

June 15, 1974 Trials before an Emergency Court Martial begin for 55 persons, all indicted on charges of allegedly seeking a violent uprising to overthrow the Park government in April.

June 20, 1974 International Red Cross Committee proposes to dispatch a delegation to North Korea to make a survey of the present addresses of 426 prominent citizens taken by the North Koreans to the North at the time of Korean War in 1950.

June 27, 1974 Defense Ministry announces that a South Korean Coast Guard boat encountered with 3 North Korean coast guard boats near the demarcation line, and was sunk after exchanging gun fire.

July 3, 1974 Korean Counter Intelligence Corps Headquarters announces sinking of a North Korean armed spy ship off Pusan last night.

July 5, 1974 Council of Catholic Bishops announces a message calling for release of political prisoners and abolishment of tortures

July 6, 1974 KCIA arrests Catholic Bishop Tji Hak-Sun, friend and mentor of poet Kim Chi-Ha, at Kimpo airport when returning from a trip abroad.

July 9-10, 1974 300 Catholic clergymen hold an overnight prayer meeting at Myungdong Cathedral.

July 10, 1974 KCIA releases Bishop Tji Hak-Sun.

July 11, 1974 Emergency Court Martial sentences 21 persons implicated in the so-called cases of the Federation of Democratic Youth and Student Organizations and of the non-existent "People's Revolutionary Party" to long prison terms including 7 death sentences.

July 12, 1974 In Iwakuni, Japan, U.S. Army arrests 5 American GIs. One is court-martialed for distributing a letter to U.S. Congressmen about oppression in South Korea.

July 13, 1974 Emergency Court Martial sentences 7 persons to death, and 17 persons to long prison terms. Of the 55 persons indicted on charges of allegedly plotting a violent uprising to overthrow the Park government, June 15, Park's Emergency Court Martial has now sentences 14, to death, 15 to life imprisonment at hard labor, and the rest to 15-20 years at hard labor and suspension of civil rights for 15 years thereafter.

Kang Shin-Ok, defense lawyer for Kim Chi-Ha and 10 arrested students, is himself arrested for his statements in court in their defense.

July 15, 1974 In a cable to the Park government, 11 U.S. Congressmen request the release of all prisoners detained for political offenses and commutation of sentences of those condemned to death.

July 16, 1974 Former President Yun Po-Sun, together with Rev. Park Hyung-kyu, and professors Kim Chan-Kook and Kim Dong-Kil of Yonsei University, are put on trial at a court martial at the Defense Ministry. The accused are charged with attempting to instigate a student uprising to topple the Park government in April, by asking students to stage a student-led popular uprising.

July 17, 1974 Rep. Donald M. Fraser states: "The purpose of our aid is to help strengthen democratic principles, yet the ROK government tramples on them."

July 20, 1974 Five death sentences are commuted to life imprisonment---Kim Chi-Ha among them. Korean Counter Intelligence Corps Headquarters announces capture of a North Korean armed spy boat off Kunsan.

July 23, 1974 KCIA arrests Catholic Bishop Tji Hak-Sun again.

July 27, 1974 Article 1 of the resolution to impeach President Nixon is voted by the Senate Judiciary Committee--27 for, and 11 against.

July 29, 1974 Senator Frank Church introduces a bill to halt U.S. military aid to Korea.

July 30, 1974 The Fraser subcommittee of the U.S. House Committee on Foreign Affairs begins to hold hearings on "Human Rights in Korea: Implications for U.S. Policy." Harvard professor Edwin O. Reischauer testifies, recommending reduction of U.S. aid to Korea in view of Park's current anti-democratic repressive policies.

Deputy Assistant Secretary of Defense Morton I. Abramowitz testifies asserting need for continuation of U.S. aid to Korea.

August 1, 1974 House Appropriations Committee recommends the Pentagon (1) to reorganize U.S. military command in Korea consolidating UN Command, Headquarters of U.S. Forces in Korea, and Headquarters of 8th U.S. Army; (2) to move 2nd U.S. Infantry Division in Korea to the south of Seoul as task reserve force of the U.S. Pacific Command; (3) to relocate 4th U.S. Missile Command back in the U.S.; and (4) to terminate grant-type military aid in 1974; etc.

August 2, 1974 Foreign Ministry states that ~~the~~ U.S. command will enjoy tactical jurisdiction over South Korean armed forces like UN Command in Korea does now.

August 5, 1974 The Fraser subcommittee of the U.S. House Foreign Affairs Committee holds hearings on "Human Rights in Korea: Implications for U.S. Policy." Tufts University professor Gregory Henderson, National Council of Churches president Dr. Sterling W. Cary, Maryknoll Fathers assistant general Rev. William O. O'Leary, and others testify.

August 6, 1974 The House Appropriations Committee's bill to reorganize U.S. military command in Korea is passed in the House floor.

August 8, 1974 President Nixon resigns. Gerald Ford becomes the 38th President of the U.S.

August 12, 1974 Former President Yun Po-Sun receives suspended 1 year sentence, and is placed under house arrest.

Bishop Tji Hak-Sun is sentenced to 15 years of imprisonment and suspension of civil rights for 15 years thereafter.

August 15, 1974 In an assassination attempt on Park Chung-Hee by Moon Sae-Kwang, a Korean resident in Japan, Mrs. Park is mortally wounded, and dies in hospital.

August 17-September 14, 1974 Massive Korean government-staged anti-Japanese demonstrations in Seoul protesting alleged "lack of concern" on the part of Japanese government in the investigation of the assassination attempt on Park.

(Actually, Moon received visa from Korean government; the gun he used was smuggled past Korean customs officials; Korean security guards permitted his entry into strictly-by-invitation-only National Theater where the assassination attempt occurred.)

The New York Times, September 12, reports: "Demonstrations are planned a day or two ahead, and the script

is worked out between demonstrators and police."

August 19, 1974 Richard Sneider testifies in Senate committee hearings for confirmation of his appointment as U.S. ambassador to Korea that:

- (1) U.S. military aid to Korea is necessary for deterring war, and (2) withdrawal of U.S. troops from Korea would invite misunderstanding by the North.

September 4, 1974 Emergency Court Martial sentences Kang Shin-Ok, defense lawyer of Kim Chi-Ha and arrested students, to prison for 8 years.

September 19, 1974 A demonstration by 2,000 employees of Hyundai Shipbuilding asking for higher wages and improved working conditions turns into a riot and clashes with police.

Japan's special envoy Shina brings a personal letter of Japanese Prime Minister Tanaka to Park.

September 20, 1974 The press reports that 101 U.S. Congressmen have urged Secretary of State Kissinger to cut military aid to Korea and Chile because of their gross violation of human rights in their countries.

September 22, 1974 1,000 persons attend an ecumenical prayer meeting in Seoul for "realization of unification, justice, and democracy."

September 23, 1974 4,000 students of Ewha Women's University collect signatures calling for release of arrested students.

National Council for the Defense of Democracy issues a statement demanding immediate release of political prisoners arrested for violation of Park's Emergency Measures.

September 24-25, 1974 5th U.S.-Korea Security Consultative Conference as held in Honolulu.

September 25, 1974 150 students of Hankook Theological Seminary start hunger strike demanding release of arrested students.

September 26, 1974 1,200 Catholic clergies and laymen in Seoul issue a manifesto demanding restoration of democracy, and realease of political prisoners.

September 27, 1974 59th General assembly of the Korean Christian Presbyterian Church issues a statement demanding release of political prisoners.

October 2, 1974 International Commission of Jurists protests a harsh 8 year sentence given to lawyer Kang Shin-Ok for defending political dissidents.

October 2, 1974 30 students of Seoul National University-College of Dentistry start a campaign of collecting signatures for release of arrested students.

October 3, 1974 1,800 Catholic laymen from all over the country meeting in Taejon adopt a resolution demanding release of the dissidents arrested for violation of Park's Emergency Measures.

October 9, 1974 20,000 Catholics hold a prayer meeting demanding democratic rule. 1,000 Catholics demonstrate in the streets of Seoul, demanding release of Bishop Tji and other dissidents arrested. Clashes with riot police follow.

October 10, 1974 2,000 students of Korea University and 150 students of Seoul National University-College of Business demonstrate demanding release of the dissidents arrested, and clash with riot police.

October 11, 1974 Students of Korea University continue demonstration on their campus.

October 14, 1974 Students of Chon-nam University in Kwangju, Pusan University in Pusan, Chung-nam University in Taejon, and other universities in the provinces hold demonstrations demanding democratic rule and release of political prisoners.

October 15, 1974 800 students of Choong-ang University demonstrate in Seoul. 1,000 students of Pusan University demonstrate in the streets of Pusan. 500 students of Sacred Heart College demonstrate in Chunchon.

October 16, 1974 Korean Federation of Trade Unions challenges the 1970 and 1973 labor laws depriving workers of the rights to bargain collectively and to strike,etc., by urging the government to raise wages.
(Average union wages are \$91 per month. Lowest wages in textile industries are \$45 per month.)

October 20, 1974 300 Catholics demonstrate in Inchon, demanding restoration of democratic institutions.

October 24, 1974 180 reporters of the Dong-A Ilbo hold a meeting in defiance of the severe government censorship, and issue a "Declaration to Practice Freedom of the Press."

Reporters of the Hankook Ilbo, the Chosun Ilbo, and the Joong-ang Ilbo also hold similar meetings, and join in the declaration.

October 25, 1974 Reporters of the Seoul Shinmoon (government paper), the Yong-nam Ilbo and other news-papers in the provinces, radio-TV networks and stations, the Hapdong News Agency, and the Orient Press News Agency, hold meetings and adopt resolutions demanding freedom of the press.

October 26, 1974 Editor-in-chief, editorial writers and columnists of the Hankook Ilbo (pro-government paper) refuse to write editorials and columns when an editorial on the subject of freedom of the press was censored out from the edition of this date.

Korean National Council of Churches issues a 5-point manifesto demanding restoration of democracy.

Church Women United of Korea issues a statement in support of the KNCC's manifesto.

October 28, 1974 500 students of Korea University demonstrate on campus.

4,000 students of Ewha Women's University demonstrate in the streets.

Both universities are now ordered closed.

November 1, 1974 120 Catholic priests express support in the fight for freedom of the press.

November 3, 1974 The Federation of Christian Students states: "If President Ford's visit to Korea serves to confirm Park's dictatorial ruling system, then protests are in order."

November 11, 1974 A total of 7,000 Catholics hold prayer meetings for restoration of democracy in 13 different dioceses. Kim Dae-Jung attends the Seoul prayer meeting.

Families of the arrested dissidents start a fast prayer meeting demanding release of political prisoners.

November 15, 1974 North Korean tunnel is discovered by South Korean patrol in the Demilitarized Zone in the south of the military demarcation line--only one week before President Ford is scheduled to visit a nearby U.S.-military site---according to the announcement of UN Command in Korea.

November 18-20, 1974 President Ford visits Japan. A joint communique on November 20.

November 18, 1974 101 Korean literary figures demand release of Kim Chi-Ha and other intellectuals.

150 students of Catholic University demonstrate in the streets of Seoul.

November 19, 1974 2,000 students of Ewha Women's University demonstrate on campus.

November 22-23, 1974 President Ford visits Seoul, meeting with Park and members of his cabinet. He visits with U.S. troops, but does not meet with any political, religious, or civic leaders opposing Park's anti-democratic repression in disregard of their requests. Ford's joint communique with Park includes no mention of Washington's feelings toward Park's dictatorial rule, no word for human rights, or democracy, but only praise of Park's leadership.

November 20-24, 1974 President Ford visits the Soviet Union, and meets with Brezhnev in Vladivostok. A joint communique on November 24,

November 27, 1974 Korean Journalists Association establishes course of action to defend freedom of the press.

November 27, 1974 71 leaders of political, religious, academic, press, and other fields, including former President Yun Po-Sun, Rev. Kim Chae Choon, Chon Kwan-Woo, etc., hold a meeting and adopt a "National Declaration for Restoration of Democracy."

November 28, 1974 Park stages an unintervened street demonstration in support of his "Yushin" rule with 2,000 members of the government-organized and government-supported Korean Veterans Association.

December 5-8, 1974 Sit-in demonstration in the National Assembly by the opposition New Democratic Party members (58 seats) begins after the continued refusal of Park's Democratic Republican Party to discuss constitutional amendments, or the release of political prisoners.

December 8, 1974 300 riot police break up a peaceful demonstration by the opposition National Assembly members.

December 14, 1974 Deportation of Rev. George Ogle, American missionary for his criticism of the Park government's violations of human rights.

(George Ogle is an ordained minister of the United Methodist Church, Ph.D. in industrial relations from University of Wisconsin, served in Korea more than 20 years in urban-industrial mission as a pastor to industrial workers, and was employed as a lecturer in labor-management relations at Seoul National University-College of Business.)

December 16, 1974 Korean Catholic Priests Association for Realization of Justice demands the Park Government cancel the deportation order for Rev. George Ogle, and release the 203 arrested democratic dissidents.

Park's Democratic Republican Party rams 8 bills through the National Assembly without the presence of the opposition parties.

December 18, 1974 U.S. House and Senate approve a Human Rights section for the Foreign Aid bill.

Added section: "Commencing with respect to 1974, the President will submit annually to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate a written report setting forth the steps he has taken to carry out this section."

December 18, 1974 The Dong-A Ilbo, the largest circulation daily newspaper in Korea, loses almost all advertising revenues as major businesses suddenly withdraw their ads under the pressure of the KCIA.

Subscribers, grassroots citizens, and reporters work to keep the paper and its sister medium, Radio Dong-A, alive and free by placing "encouragement" ads such as: "If the Dong-A dies, the nation dies with it;" "I skipped my glass of makkoli (Korean wine) to place this ad---a cab driver;" and "Why are you afraid of a free press?" etc.

This struggle continues. The voluntary campaigns to save the paper from withering under a deliberate government effort to suppress it mount day by day, and spread throughout the nation, until about March 17, 1975, when the publisher finally buckles under the KCIA's threat.

December 20, 1974 Rev. George E. Ogle testifies before the Fraser subcommittee of the U.S. House Foreign Affairs Committee vividly describing the Park government's violations of Human Rights.

The deported missionary states: "I have broken no laws of Korea. I have spoken and acted from the posture of a Christian pastor. My ministry was in no way politically motivated.

"The way in which the American people use their power and influence in the Republic of Korea is perhaps one of the most significant forces determining the future of the Korean people..."

"The American people and, I believe, the majority of the Korean people want this American influence to be used not for the blind support of military, police-state power, but for the development of democratic social structures and human values."

December 21, 1974 Moon Sae-Kwang, a Korean resident in Japan, who attempted to assassinate Park on August 15, is executed on 25-minute notice.

December 24, 1974 Six affiliated church organizations and Human Rights Committee of the Korean National Council of Churches hold joint Christmas service, and demand the government cancel the deportation order for Rev. George E. Ogle.

December 25, 1974 A nation-wide, non-partisan organization, National Council for Restoration of Democracy is organized in an organizational meeting held in Seoul.

December 26, 1974 Korean Journalists Association demands the government stop its deliberate efforts to suppress the Dong-A Ilbo.

The opposition New Democratic Party issues a statement condemning the government that the pressure on the Dong-A Ilbo through advertisers is a new method of suppressing the press.

December 27, 1974 National Council for Restoration of Democracy denounces the government action against the Dong-A Ilbo and Radio Dong-A.

The New Democratic Party attempts to set up a Provincial Committee headquarters in Taegu, and revise the "Yushin" constitution. They are severely harassed by local police and 200 Korean war veterans recruited by the government for political terrorism.

December 30, 1974 Church Women United of Korea starts a national campaign of boycotting the products of the businesses who cancelled their ads in the Dong-A Ilbo.

January 4, 1975 Prime Minister Kim Jong-Pil wants that the government will not tolerate indefinitely public demands for a change in the "Yushin" constitution. Kim Jong-Pil charges that Kim Il-Sung has encouraged social unrest in the South in his New Year message.

January 6, 1975 National Council for the Restoration of Democracy asks the Park regime to have the courage to step down.

January 7, 1975 In Vietnam, Communists capture Phuoc Binh, the provincial capital of Phuoc Long Province.

President Ford is described as concerned about the upsurge of fighting in South Vietnam.

January 8, 1975 Chang Joon-Ha, former National Assembly man and prominent publisher, releases an open letter to Park asking him to restore democracy and step down.

January 9, 1975 Christian Association for the Defense of Democracy holds a prayer meeting for human rights and democracy, at Myeongdong Cathedral in Seoul. 15,000 participants state in their resolution: "The conscience of human beings should not be further trampled in order to make one man hold on to power for a prolonged time."

Korean Catholic Priests Association for the Realization of Justice asks the Park regime to step down "for the restoration of human rights and democracy."

January 10, 1975 The Park government allows the Yonhap Shimbul of Japan to reopen its news bureau in Seoul.
(See, August 24, 1973.)

January 11, 1975 Korean Journalists Association issues a statement demanding the Park Government to stop oppression of the Dong-A Ilbo through the blocking of advertisers.

January 13, 1975 State Department charges North Vietnam's current offensive in South Vietnam is a "flagrant violation" of the 1973 Paris truce agreements.

January 13, 1975 Reporters of the Hankook Ilbo and the Chosun Ilbo issue a statement supporting the struggle of the Dong-A Ilbo, and adopts a "Declaration to Practice Freedom of the Press."

January 14, 1975 Park declares his government will not alter the "Yushin" constitution as long as North Korea poses a military threat to the South.

January 16, 1975 Advertising manager of the Dong-A Ilbo is taken to the Korean Counter Intelligence Corps Headquarters (another torture center). Reporters and employees start a protest sit-in in the newspaper offices.

Reporters of the Mae-il Shinmoon and the Tong-nam Ilbo in Taegu, and other dailies in the provinces reaffirm the Declaration to Practice Freedom of the Press, and adopt resolutions to support the struggle of the Dong-A Ilbo.

January 18, 1975 National Council for the Restoration of Democracy protests the arrest of its executive committee members, Lee Byong-Lin (chairman), Hamm Sok-Hon, Ms. Kim Jong-Yae, and Hong Sung-Woo (secretary-general).

January 22, 1975 Park announces a national referendum to be held sometime between February 11 and March 23, to ask public support for his "yushin" policies.

National Council for the Restoration of Democracy calls the referendum nonsense--a formality to regularize Park's anti-democratic rule, and an attempt to mount repression further after his stage-managed victory.

January 23, 1975 Defense Ministry announces that North Korea resumed its hostile propaganda broadcast against the South along the Demilitarized Zone since the previous day.

January 27, 1975 Korean National Council of Churches and Korean Catholic Priests Association for the Realization of Justice announce that the referendum without freedom of expression or guarantee of fundamental democratic rights is sheer nonsense, and adopt a resolution to boycott it.

January 28, 1975 President Ford asks Congress an additional \$552 million in military aid for South Vietnam and Cambodia.

February 4, 1975 Government spokesman Lee Won-Kyung (Minister of Culture and Information) charges that North Korea is jamming radio and television broadcasts in the South.

February 5, 1975 The government announces February 12 as the date of the referendum.

February 6, 1975 Former President Yun Po-Sun, former Presidential candidate Kim Dae-Jung, Stephen Cardinal Kim, and 15 others officials of the National Council for the Restoration of Democracy sign a statement calling for cancellation of the sham referendum.

February 12, 1975 3,000 persons attend a prayer meeting called by the Korean Catholic Priests Association for the Realization of Justice, and issue the 3rd "Declaration on the State of Affairs."

February 12, 1975 U.S. doubles its arms and ammunition airlift from Thailand to Cambodia.

February 12, 1975 The referendum proceeds in the midst of boycotts led by religious leaders and university students.

Park's government claims 73.1 per cent of the 13,406,245 votes cast supported the "Yushin" constitution.

New Democratic Party charges that the government fabricated the turnout figures and results of the sham referendum.

February 15, 1975 Park orders the release of Emergency Measures violators, except for those accused of violating Anti-Communist Law and National Security Law. Thus, those of the KCIA-fabricated "People's Revolutionary Party" were not released. The government says it is not amnesty but suspension of sentences with a warning that those who engage in "reckless remarks and behavior" again are liable for rearrest.

Korean Counter Intelligence Corps Headquarters claims one of South Korean patrol boats sank a .50-ton North Korean spy vessel 10 miles south of the Armistice Line on the east coast.

February 17, 1975 Released Emergency Measures violators expose that they were tortured by KCIA, police and military security agents during their captivity, and that they were forced to sign false confessions prepared by Park's interrogators.

February 18, 1975 Education Minister Yoo Kee-Chun announces that colleges and universities are not allowed to reinstate freed dissident students.

February 21, 1975 Released dissidents, including Catholic Bishop Tji Hak-Sun, poet Kim Chi-Ha, Prof. Kim Dong-Gill, and Paik Ki-Wan, announce that they will continue to work for the restoration of democracy.

Chang Joon-Ha, former National Assemblyman and prominent publisher, calls for a united front of all democratic citizens.

February 25, 1975 Poet Kim Chi-Ha begins a series of articles in the Dong-A Ilbo telling his own experience and observations in the prison; and exposes that the case of the so-called "People's Revolutionary Party" is a fabrication by the government.

"Justice Minister Hwang San-Duk claims that the People's Revolutionary Party is an anti-state subversive organization outlawed by the Anti-Communist Law.

February 28, 1975 Choi Hyung-Woo and 12 other former and incumbent National Assemblymen charge in a statement that they, too, had been tortured by government security agents to force them to make false confessions after the dissolution of the National Assembly on October 17, 1972.

March 1, 1975 Numerous leaders of the movement for the restoration of democracy are placed under sudden house arrest to prevent any activities on the anniversary of the March 1, 1919, Declaration of Independence.

March 6; 1975 Reporters of the Chosun Ilbo stage a sit-in protesting the management's and some editors' collaboration with the government in suppressing freedom of the press.

March 10, 1975 Park's government cancels the license for the weekly organ of the Korean Journalists Association.

Korean Catholic Priests Association for the Realizations of Justice holds a prayer meeting for the rights of industrial workers and democracy.

March 11, 1975 40 students of Choong-ang University in Seoul stage a demonstration on campus demanding to abolish the "Yushin" constitution and dissolve the KCIA.

March 12, 1975 120 reporters and employees of the Dong-A Ilbo strike the daily newspaper and seize the company plant to back demands that the publisher take a tougher stand against the Government's suppression of the press freedom, and that he reinstate the 20 journalists dismissed March 8 for announced "reasons of economy and discipline."

Reporters of the Chosun Ilbo hold a rally to protest the management's lockout of the company proclaimed at suppressing the reporter's struggle for freedom of the press.

March 6, 1975 President Ford in a news conference urges Congress to provide emergency aid to Cambodia to prevent an immediate takeover in that country by Communist insurgents.

March 11, 1975 Cambodia shifts government and military chief. Khmer Rouge rebels step up shelling of Phnompenh and its airport. Prospect of U.S. aid ebb'd.

March 13, 1975 KCIA rearrests Kim Chi-Ha. This time, under the charges of Anti-Communist Law violations.

270 reporters of the Korean Journalists Association declare in a statement that the press freedom faces destruction at its roots, claiming that the situation has been caused by the government's high-handed censorship on pretext of "national interests."

Korean Catholic Priests Association for the Realization of Justice charges that the mass firing of reporters by the Dong-A Ilbo and the Chosun Ilbo is a government conspiracy to control the press.

150 reporters of the Joong-ang Ilbo adopt a declaration for protection of freedom of the press.

Korean Journalists Association establishes a new "Committee to Fight for Freedom of the Press."

March 14, 1975 1,000 students of Seoul National University-College of Liberal Arts and Sciences adopt a resolution to support the striking journalists of the Dong-A Ilbo in their struggle for the press freedom.

March 15, 1975 Korean Writers Association for Freedom of Speech supports the journalists of the Dong-A Ilbo and the Chosun Ilbo in their fight for the press freedom. The same Association also demands the government release poet Kim Chi-Ha.

4,000 students of Yonsei University hold a rally to support the university's decision to reinstate the freed dissident students, despite the government ban of such reinstatement.

Hankook Theological Seminary reinstates two dismissed students.

March 17, 1975 The management of the Dong-A Ilbo, coerced by the government, sends a goon squad into the company building to drive out by force 150 journalists on strike into the streets. Then another squad, plain clothes police, 100 strong, ran out of the night to drive the journalists away from the front of the building before the dawn broke.

The journalists of the Dong-A Ilbo launch a protest to the management.

Korean Catholic Priests Association for the Rehabilitation of Justice, Korean Journalists Association, and other democratic organizations join the protest to the management of the Dong-A Ilbo against the eviction of the journalists by hired terrorists.

March 18-20, 1975 South Vietnam abandons Highland and northern provinces to Communists.

March 18, 1975 The government pressures the Yonsei University's board of trustees to dismiss the president for reinstating the released dissident students and professors. The Student Association of Yonsei University protests the government demand.

March 19, 1975 Park's Democratic Republican Party rams through 26 bills in one minute in the dining room of the National Assembly Hall without presence or knowledge of opposition parties.

One of the bills is a revision to the Criminal Code that calls for imprisonment of up to 7 years for anyone "slander[ing] the President, the "Yushin" constitution, or the government, at home or abroad.

March 20, 1975 Education Minister orders that rifle drill be mandatory hereafter in all secondary schools to enhance student appreciation of national security.

Defense Ministry announces uncovering of another tunnel built by the North Koreans in the Demilitarized Zone.

- March 22, 1975 Lawyer Han Seung-Hon is arrested for alleged violation of Anti-Communist Law. Han is a defense counsel for dissident poet Kim Chi-Ha and former Presidential candidate Kim Dae-Jung; member of the executive committee of the National Council for the Restoration of Democracy; and legal advisor to the Korean Journalists Association.
- March 24, 1975 300 students of Yonsei University demonstrate on campus demanding the resignation of Education Minister, and reinstatement of the released dissident students and professors.
- March 25, 1975 1,000 students of Seoul National University hold a rally demanding the release of students still imprisoned for alleged violation of Park's Emergency Measures, and the reinstatement of the released students.
- March 25, 1975 Korean Writers Association for Freedom of Speech declares its members will refuse to write in the Dong-A Ilbo and the Chosun Ilbo in protest of the management's oppression of journalists.
- March 26, 1975 The Student Association of Korea University demands the government respect academic freedom and freedom of the press.
- March 26, 1975 300 students of Seoul National University-College of Engineering demonstrate on campus for restoration of democracy.
- March 26, 1975 150 students of Hankook Theological Seminary demonstrate on campus for restoration of democracy.
- March 28, 1975 President Ford announces that he has ordered U.S. Navy transports to assist in the evacuation of refugees in the South Vietnam's coastal cities fleeing the North Vietnamese offensive.

March 30-April 3, 1975 North Vietnamese troops easily capture South Vietnam's major coastal cities of Danang, Qui Nhon, and Tuy Hoa, etc.

March 30, 1975 In an Easter message, Stephen Cardinal Kim says: "Our society has been transformed into a dehumanized system, creating a dark age in which only wealth and power are respected..."

March 31, 1975 51 lawyers in Seoul volunteer to defend fellow lawyer Han Seung-Hon, arrested on March 22, for alleged violation of Anti-Communist Law.

April 1, 1975 Lon Nol leaves Cambodia for Indonesia and for the U.S. to pave the way for possible peace talks between his successor government and the Khmer Rouge rebels.

April 1, 1975 President Ford discusses Vietnam at a news conference, and seeks to reassure allies stating that: "At the moment, I do not anticipate the fall of Vietnam."

April 2, 1975 KCIA claims to have arrested an 8-man spy ring, including a student leader Kim Dal-Yan who has led a number of student demonstrations.

April 2, 1975 4,000 students of Ewha Women's University in Seoul hold a rally on campus demanding the restoration of democracy and the abolishment of the KCIA.

April 3, 1975 120 students of Hankook Theological Seminary hold a rally on campus.

April 3, 1975 6,000 students of Yonsei University meet in the university's amphitheater asking the withdrawal of their university president Park Tae-Sun's resignation and demanding the resignation of Education Minister Yoo Kee-Chun.

April 3, 1975 2,000 students of Seoul National University issues the "Declaration of April 3" demanding the release of imprisoned dissident students, and demonstrate in the streets.

April 3, 1975 150 students of Hankook Theological Seminary demonstrate on campus demanding the restoration of democracy.

April 3, 1975 600 students of Sogang (Jesuit) University in Seoul demonstrate on campus.

April 4, 1975 A total of 8,000 students at Yonsei University and Seoul National University demonstrate, and battle riot police when tear-gased. 127 students are arrested.

April 5-10, 1975 Vietcong and North Vietnamese launch attacks in Mekong Delta and Saigon area. Three-quarters of South Vietnam is now under Communist control.

April 5, 1975 Chiang Kai-shek dies of heart attack.

April 7, 1975 800 students at Seoul National University, 500 at Sogang University, 1,000 at Korea University, and 200 at Foreign Languages College of Korea demonstrate calling for democracy and the dissolution of the KCIA. Police with tear gas break up the protests.

April 8, 1975 Park issues another decree, Emergency Measure No. 7, prohibiting university campus demonstrations against the government.

The new decree provides penalties of up to 10 years and possible suspension of civil rights; permits the dispatch of troops to campuses.

The issuance of the edict is immediately followed by troops' seizure of Korea University.

Students at Korea University, Seoul National University, Yonsei University, and Sogang University clash with troops and police.

April 9, 1975 8 persons accused of alleged membership in the KCIA-fabricated "People's Revolutionary Party" are hanged at dawn without knowledge of their families, while two more appeals are possible, and despite of appeals from many respectable citizens and organizations including Stephen Cardinal Kim, National Council for the Restoration of Democracy, etc.

Students at Ewha Women's University, Seoul National University-College of Music, Choong-ang University, Hanyang University, and the Foreign Languages College of Korea stage demonstrations demanding the retraction of the "Yushin" constitution.

April 10, 1975 Protest against hanging of 8 persons is lodged by the National Council for the Restoration of Democracy and the opposition New Democratic Party.

Police in Seoul break up a funeral mass for one of the 8 executed men, seize the body and have it cremated without the family's consent.

7 American missionaries demonstrate in front of the U.S. Embassy wearing black hoods and ropes around their necks to protest the hangings, saying: "Is this the result of democracy?"

4 Protestant clergymen are arrested on charges of "embezzling from the Korean National Council of Churches to pay legal expenses for political prisoners and to help the prisoners' families."

12 dissident intellectuals are rejailed on charges of allegedly having fomented recent university disturbances. 9 of them are students released in February after having received suspended jail terms.

11 universities close amid student rallies.

April 11, 1975 Students at Seoul National University-College of Agriculture and Sunkyunkwan University stage demonstrations.

April 12, 1975 Kim Sang-Jin, senior at Seoul National University-College of Agriculture, dies of stab wounds he has inflicted on himself the previous day to protest Park's repression.

April 12, 1975 (continued)

5 prominent Christian clergymen are probed by the KCIA---including Fr. Han Sae-Ung, spokesman for the National Council for the Restoration of Democracy, and Fr. Kim Taek-Am, a leading member of the Korean Catholic Priests Association for the Realization of Justice.

66 students are expelled, and 47 others suspended from their universities at the government orders.

Fr. John P. Daly resigns as president of Sogang (Jesuit) University---the 3rd president of major universities forced by the government to quit.

April 15, 1975 Defense Secretary Schlesinger reassures U.S. allies in a speech before the Overseas Press Club, citing defense agreements with Japan, South Korea, and the North Atlantic community as "the highest law of the land."

April 16, 1975 Cambodian government surrenders to Khmer Rouge rebels. The 5-year old war ends in Cambodia.

April 16-22, 1975 Communist troops advance and gain in South Vietnam in fighting. Exodus under way. A round-the-clock evacuation of Americans and Vietnamese.

April 19-26, 1975 Kim Il Sung visits China. In a joint communique issued April 28, Peking expresses backing for North Korean proposals for unification with South Korea, but emphasizes that such efforts be "peaceful."

April 21, 1975 South Vietnamese President Thieu resigns; appoints Vice President Huong as successor to pave the way for possible peace talks with the Vietcong. Communists refuse to deal with Huong.

April 16, 1975 A group of 7 American missionaries stages a demonstration in the U.S. Embassy compound to protest the hangings of 8 persons in the case of the non-existent "People's Revolutionary Party," and demands official clarification from the U.S. of its stand on the "deterioration in human rights in South Korea."

April 19, 1975 35 colleges and universities are closed. 152 student leaders are expelled, 60 others are suspended from their universities. 24 students are held by police, and 210 are sent to summary courts on the anniversary of the April 19, 1960, student uprising.

April 22, 1975 A memorial service scheduled at Myongdong Cathedral in Seoul for another student who has committed suicide in March to protest Park's dictatorship is thwarted by 1,000 police, who surrounded the building to prevent worshippers from entering.

April 23, 1975 President Ford, speaking at Tulane University, New Orleans, says the Vietnam war is finished "as far as America is concerned."

April 23, 1975 The opposition New Democratic Party members of the National Assembly clash with Seoul Police as they attempt to sell their party newspaper in defiance of a police ban. Contained in the newspaper is the full text of the open letter to Park by Kim Sang-Jin who committed suicide in protest the dictatorship.

Korean Journalists Association submits to the International Press Institute a special report on the repression of freedom of the press by the Park government.

April 25, 1975 Fr. James P. Sinnott, who has worked in Korea for 15 years as a Maryknoll missionary, is ordered by the Park Government to leave Korea April 30, for his activities on behalf of human rights.

Korean Journalists Association says that 5 of its officials including Kim Pyong-Ik, the president, were detained the previous day by the KCIA. The men were forced to turn over copies of reports sent to the International Press Institute and the International Federation of Journalists.

April 29, 1975 Recalling Kim Il-Sung's visit to China, Park says: "We have sufficient grounds to surmise that Kim Il-Sung is prepared for war against the South."

April 30, 1975 South Vietnamese government surrenders to Communists.

April 30, 1975 70 members of the Committee to Defend the Dong-A's Freedom, the organization of ousted journalists of the Dong-A Ilbo, picket in front of the company building giving out handbills demanding freedom of the press.

May 1, 1975 National Association of Christian Clergymen for the Realization of Justice holds a prayer meeting for "justice and freedom to preach" at the YMCA in Seoul.

May 7, 1975 Park states he is confident that the U.S. will "stick to its defense commitments to Korea."

May 8, 1975 President Ford reassures allies on U.S. commitments. President Ford, in the process of continuing reassurance, receives Chung Il-Kwon, speaker of the Korean National Assembly, at the White House.

May 9-16, 1975 Claiming an imminent danger, the government calls for increased vigilance against possible aggression from North Korea.

30,000 students stage a rally in Seoul pledging support for the government's call for anti-Communism, burning effigies of Kim Il-Sung.

50,000 persons hold 30 separate demonstrations throughout the country supporting the Government's call for increased vigilance against North Korea.

In the climax of this war scare, 1,000,000 attend a rally in Seoul to express support of the Government's call for anti-Communist unity and for increased vigilance.

All approved and coordinated by Park's Government.

May 13, 1975 Park issues Emergency Measure No. 9, a sweeping decree prohibiting all opposition to the "Yushin" constitution, criticism of the charter, political activities by university students, spreading of rumors and reports considered "harmful to national security." Violators of the political curb would face a minimum of one year's imprisonment plus suspension of civil rights up to 10 years.

May 14, 1975 U.S. air, sea and ground forces battle Cambodian forces following the Cambodian seizure May 12 of U.S. merchant marine ship Mayaguez in the Gulf of Siam. The ship and its 39 crewmen are freed after American operation.

May 16, 1975 Gulf chairman Bob R. Dorsey testifies before Senate Foreign Relations subcommittee on multinational corporations that a total of \$4 million (\$1 million in 1966 and \$3 million in 1970) was paid to Park's Democratic Republican Party after Gulf was subjected to "severe pressure for campaign contributions.

May 17, 1975 Secretary of State Kissinger says that the Gulf Oil scandal will have no effect on security commitments.

May 20, 1975 Prof. Jerome A. Cohen of Harvard University and Prof. Gari Ledyard of Columbia University give highly critical testimonies on Park's repression of Human Rights in Korea before the Fraser subcommittee of the House International Relations Committee.

May 22, 1975 Fr. James P. Sinnott, Maryknoll missionary the Park government deported from Korea April 30, and Brian Wrobel of Amnesty International, London, testify on the conditions of Human Rights in Korea under Park's "Yushin" rule, before the Fraser subcommittee.

May 28, 1975 Canada agrees to lend South Korea \$300 million toward the purchase of a \$576.5 million Canadian nuclear power generation plant.

June 5-9, 1975 Kim Il-Sung visits Belgrade. Tito pledges to work for the "peaceful reunification of Korea," and joins Kim in demanding "urgent withdrawal of all foreign troops from South Korea.

May 20, 1975 Education Ministry announces the government's decision to activate a Student Defense Corps in all high schools, colleges and universities in September.

June 5, 1975 General Motors Korea, Ltd., in Seoul gives a donation of \$104,000 to the Park government to be used for Korea's defense.

Kim Young-Sam, New Democratic Party leader, demands Emergency Measure No. 9 be lifted.

Kim Young-Sam also asks for a 6-nation meeting to relieve tensions between North and South Korea.

June 9, 1975 The Philippines and mainland China establish diplomatic relations.

June 10, 1975 Prof. Jai Hyon Lee of Western Illinois University (former senior diplomat at South Korea's Washington embassy) exposes Park's clandestine scheme of influence-buying on Capitol Hill and the KCIA's illegal activities in the U.S. in his testimony on "Human Rights in South Korea: Its Implications for U.S. Policy," before the Fraser subcommittee's hearing in the Congress.

June 12, 1975 Donald L. Ranard, former director of Korean Affairs (1970-1974) at the State Department, severely criticizes Park's repressive policies and U.S. insensitivity to Human Rights in South Korea in his testimony, and confirms in general Jai Hyon Lee's charges of the KCIA activities in the U.S. in a hearing before the Fraser subcommittee of the House International Relations Committee.

June 18, 1975 Secretary of State Kissinger reassures Asian allies. In a policy address before the Japan Society in New York, Kissinger says: "Specifically, we are resolved to maintain the peace and security of the Korean Peninsula, for this is of crucial importance to Japan and to all of Asia..."

June 20, 1975 Defense Secretary remarks that the U.S. would not rule out the use of tactical nuclear weapons in Korea.

June 21, 1975 Park forms a Civil Defense Corps of men and women from 17 to 50 years old with an estimated 3.5 million members to be involved in training 20 days a year.

June 24, 1975 President Ford sets the 1976 presidential campaign themes, and puts the 5 themes to a group of Republican officials and contributors.

June 25, 1975 Park says, in a speech commemorating the 25th anniversary of the outbreak of the Korean War, that North Korea is "planning to launch a second Korean war by all available means and methods."

June 26, 1975 India declares a nation-wide emergency; foes of Indira Gandhi are arrested.

June 27, 1975 At the UN Security Council, the U.S. offers to terminate UN Command in Korea January 1, 1976, provided that China and North Korea agree to substitute measures for maintaining the 1953 Armistice Agreement.

June 30, 1975 Defense Ministry announces 4 South Korean policemen and 1 of 2 North Korean infiltrators were killed in a clash June 28 at Kwangju.

July 8, 1975 President Ford officially announces he is a candidate for the Republican nomination for president in 1976.

July 9, 1975 Park widens 18 "wartime security" laws including:

(1) A measure relating to "public security" which will place under government surveillance and possibly internment, persons convicted of having violated the "Anti-Communist Law" and "National Security Law" or other security-related statutes and Emergency Measures. (10,000 are liable.)

(2) a measure requiring all university professors to resign at the end of the current school year (February 1976). Reappointments will be made by the Defense Ministry.

(3) \$400 million "defense tax."

Co-chairman for the South Chang Key Young of the North-South Coordinating Committee proposes resumption of talks--vice co-chairmen's meeting on July 15, and full committee meeting in Pyongyang before August 15.

U.S. Army SP/5 Michael E. Kerr departed from Korea by U.S. Army for writing letters to his Congressman about the repression of human rights in Korea.

July 12, 1975 Park places Korean Armed Forces on emergency alert after charging that 5 North Korean naval craft and 1 civilian boat have intruded into the waters of South Korea-held Paekkyong Island, 100 miles north of the Armistice line in the Yellow Sea, on July 11.

July 17, 1975 North Korean representative on the North-South Coordinating Committee rejects the South Korean proposal of July 9 to resume talks, stating that North Korea's conditions for resumption of the North-South Talks remain unchanged.

U.S. and Soviet astronauts dock in space in a joint mission.

August 17, 1975 Chang Joon-ha, a prominent leader in the current non-partisan movement for the restoration of democracy and human rights, former National Assemblyman and Magsaysay freedom award-winning publisher, dies mysteriously in what police called "a hiking accident."

August 21, 1975 Leaders in the democratic movement and 2,000 citizens attend the memorial service of the late Chang Joon-Ha at Myeongdong Cathedral in Seoul.

August 25-30, 1975 The 5th Ministerial Conference of Nonaligned Nations meet in Lima, Peru. South Korean application for membership is rejected. North Korea is admitted to full membership August 26.

August 26-27, 1975 U.S.-Korea annual Security Consultative Meeting in Seoul. A joint communique contains a U.S. pledge to complete the 5-year plan aimed at modernizing weapons of the Korean Armed Forces.

U.S. Defense Secretary Schlesinger tells a news conference that it is unlikely that North Korea will attack South Korea. Also he reaffirms U.S. plans to maintain U.S. combat troops in South Korea at the current 42,000-man level.

September 6, 1975 Seoul District Court sentences 4 dissident Christian clerics--Rev. Kim Kwan-Suk (general secretary of the Korean National Council of Churches), Rev. Pak Hyung-kyu, Rev. Cho Sung-Hyok, and Rev. Kwon Ho-Kyung. All have been in custody since their arrest in April during the height of anti-government unrest.

September 30-October 13, 1975 Japanese Emperor Hirohito visits the U.S.

October 8, 1975 Mrs. Kim Ok-Son, opposition New Democratic member of the National Assembly charges in an Assembly address that Park has inspired nationwide public rallies (May 9-16) after the Communist takeover in Indochina to create "a wartime crisis mood" to justify his repressive policies and perpetuate himself in office. She calls Park a dictator.

The ruling Democratic Republican Party members and lawmakers appointed by Park in the National Assembly decide to strip Mrs. Kim of her elected Assembly seat. Speaker Chung Il-Kwon refers disciplinary motion against Mrs. Kim to the Assembly's Judiciary Committee.

October 13, 1975 National Assemblywoman Kim Ok-Son is forced to resign from the National Assembly under physical threat after the Judiciary Committee voted October 10 to deprive Mrs. Kim of her Assembly seat. (Parliamentary law in Korea grants legislators immunity from criminal charges for remarks made in the Assembly. But the Democratic Republic spokesman said her attack against Park could "give aid and comfort" to North Korea, thus insinuating Anti-Communist Law violation.)

October 21, 1975 South Korea is to purchase 13 more F-4E fighter planes from the U.S. for \$17.9 million, announces the Pentagon.

October 24, 1975 North Korea starts repayment of debt interest on \$500 million of overdue trade bills from Western European banks. The payment of the accumulated interest was a condition for rescheduling of the loans agreed to at secret meetings held in Paris and London in July with North Korean representatives, according to Paris' banking sources.

October 28, 1975 China conducts 2nd underground nuclear test, according to the official news agency Xinhua.

November 8, 1975 Australia closes its embassy in Pyongyang after North Korea November 6 ordered the mission closed for having "systematically committed subversive activities." (North Korea closed its embassy in Canberra the previous week charging that the Australian government had restricted the activities of its diplomats.)

October 24, 1973 40 journalists of the Dong-A Ilbo on strike since March to protest the government's press restrictions, picket in front of the company building to mark the anniversary of the Declaration to Practice Freedom of the Press.

November 10, 1975 Trials open in Seoul for the students arrested for the violation of Emergency Measure No. 9. The students defy the trial by refusing to answer the prosecution's questions in court.

November 16, 1975 House Select Committee on Intelligence votes to cite Secretary of State Kissinger for contempt of Congress for failing to produce, under subpoena, classified documents for use in the committee's investigation of the effectiveness of U.S. intelligence operations.

November 18, 1975 UN General Assembly adopts two conflicting resolutions on Korea, both of which call for dissolution of the UN Command established in South Korea in 1950.

One text, favored by the U.S., asked for talks among North Korea, South Korea, China and the U.S. which would find an alternative way of keeping the truce. (Approved 59-51 with 29 abstentions.)
 The other suggested talks between the U.S. and North Korea alone. (Passed 54-43 with 42 abstentions.)

November 20, 1975 Francisco Franco dies at 82.

November 20, 1975 Chinese Foreign Minister Chiao Kuan-hua tells visiting French Foreign Minister Jean Sauvagnargues that there is no danger of an imminent war over Korea, according to Le Monde.

November 22, 1975 KCIA claims the arrest of 21 North Korean espionage agents who have infiltrated universities.

November 24, 1975 22 students on trial for the violation of Emergency Measure No. 9 declare in the court that they do not recognize Park's so-called Emergency Measures and "Yushin" constitution as the laws of the nation.

December 1-5, 1975 President Ford visits China on a tour of Asia. No joint communique.

December 2, 1975 22 students on trial at Seoul District Court for the violation of Emergency Measure No. 9 receive prison sentences ranging from 18 months to 10 years. The students denounce the secret trial.

December 7, 1975 President Ford declares "Pacific Doctrine" in Honolulu after visits of Indonesia and the Philippines on his return from China.

He declares in a speech "a Pacific doctrine of peace with all---and hostility toward none." He says that world stability and U.S. security

"depend upon our Asian commitments."

(It reflects the so-called Guam Doctrine enunciated by former President Nixon in 1969. Key elements of "Pacific Doctrine"--(1) close partnership with Japan as a "pillar" of U.S. strategy; (2) normalization of relations with China; (3) resolution of outstanding Southeast Asian and Korean questions; (4) the creation of an economic cooperation structure in Asia.

December 10, 1975 House Select Committee on Intelligence drops efforts to obtain a contempt of Congress citation against Secretary of State Kissinger for refusing to provide the committee with subpoenaed documents.

December 9, 1975 U.S. Assistant Secretary of State for Far Eastern and Pacific Affairs Philip Habib briefs Park in Seoul on President Ford's visit to China and his new "Pacific Doctrine".

December 13, 1975 Seoul District Court sentences opposition leader Kim Dae-Jung to one year's confinement at home on a charge of having "violated" the now defunct election law during the 1971 presidential campaign. Many of the 30 counts of which Kim Dae-Jung was found guilty dealt with charges he made during the campaign that the Park government was corrupt and dictatorial.

December 19, 1975 Park reshuffles the cabinet. Former foreign minister Choi Kyu-Ha, a special assistant to Park on international relations, succeeds Kim Jong-Pil as Prime Minister.

The new 19-member cabinet includes Foreign Minister Park Tong-Jin, Information and Culture Minister Kim Seong-Jin, and Communications Minister Pak Won Kun.

December 28, 1975 The Park government has asked the U.S. for a \$1.5 billion government-backed loan over the next 5 years to finance a new military equipment program, it is reported. (The funds asked by Park's government are

In addition to the \$1.5 billion the U.S. had pledged in 1971 in connection with the withdrawal of one U.S.-ground division from Korea.)

December 31, 1975 Lee Pu-Young, a leader of about 120 journalists of the Dong-A Ilbo on strike since March to protest Park's repression of the press freedom receives an 8-year prison sentence in Seoul.

Sung Yoo-Bo, another striker, is sentenced to 4 years in prison.

(Lee and Sung were arrested in July and charged with plotting against the Park government. The defendants said in the court that they had been coerced to sign false confessions.)

II. SECURITY AND POLITICAL AFFAIRS

8. Text of a joint communique issued by President Johnson and President Park on May 18, 1965, Department of State Bulletin, June 14, 1965

TEXT OF JOINT COMMUNIQUE

White House press release dated May 18

1. At the invitation of President Lyndon B. Johnson of the United States, President Chung Hee Park of the Republic of Korea arrived in Washington on May 17, 1965, for a 10-day state visit to the United States, and met with President Johnson on May 17 and 18 to exchange views on the current international situation and matters of common interest to their countries. Deputy Prime Minister Key Young Chang, Acting Foreign Minister Duk Choo Moon, Defense Minister Sung Eun Kim, Secretary of State Dean Rusk, Secretary of Defense Robert McNamara, and other high officials of both Governments participated in the meetings.

2. President Park and President Johnson reaffirmed the strong bonds of friendship traditionally existing between the Republic of Korea and the United States and their firm determination to maintain the closest cooperation in the pursuit of their common objective of a secure and lasting peace based on freedom, justice, and prosperity for all.

3. The two Presidents reviewed the current situation in the Far East and Southeast Asia and agreed upon the need for making secure the freedom and independence of the countries of the area. They affirmed that the free nations should further strengthen their solidarity and cooperation to advance the cause of peace and progress under freedom.

4. President Johnson noted with deep appreciation the contribution of the Republic of Korea toward the defense of Viet-Nam. The two Presidents reaffirmed their intention to continue to cooperate closely in support of the Republic of Viet-Nam.

5. The two Presidents reviewed the importance of mutual defense ties between the Republic of Korea and the United States. President Johnson reaffirmed the deter-

nation and readiness of the United States to render forthwith and effectively all possible assistance including the use of armed forces in accordance with the Mutual Defense Treaty of 1954, to meet the common danger occasioned by an armed attack on the Republic of Korea. He said that the United States will continue to maintain powerful forces in Korea at the request of the Korean Government, and will assist in maintaining Korean forces at levels sufficient, in conjunction with U.S. forces, to insure Korea's security. Subject to applicable legislation and appropriations, military assistance to preserve the Korean forces' effectiveness will continue to be provided, and a large part of the local currency (won) funds generated by U.S. assistance will continue to be made available to the Korean defense effort. In addition, the Military Assistance Transfer Program has recently been revised to enable the Korean Government to realize a saving in foreign exchange. It was agreed that the program should be reviewed each year in light of the condition of the Korean economy.

6. The two Presidents took cognizance of the ardent desire of the Korean people for the reunification of their homeland and deplored the fact that the Communists have persisted in their refusal to accept established United Nations objectives and principles for the unification of Korea through free elections under United Nations supervision, thus prolonging the artificial division of Korea. Both Presidents reaffirmed that they would continue to make the utmost efforts to bring about a unified, free and democratic Korea in accordance with the objectives and principles set forth in the United Nations resolutions on Korea.

7. President Park reviewed the negotiations between Korea and Japan for an agreement to establish normal relations, the components of which have already been initiated.

and are now being drawn up in treaty form. President Johnson praised this achievement and expressed the expectation that this agreement, when completed, would strengthen the free nations of Asia as well as further the mutual interests of the two countries immediately involved. He confirmed that U.S. military and economic assistance to Korea would continue to be extended, as set forth in paragraph 9 below, after normalization of Korean-Japanese relations.

8. President Park explained the situation and prospects of the Korean economy. President Johnson congratulated President Park on the progress made by the Korean Government and people toward stabilization and development of their economy. He noted Korea's impressive increases in exports and in industrial and agricultural production, and its investment in programs of social progress. President Park reviewed the Korean Government's economic development programs, under which the Government is pursuing its goals of food self-sufficiency, greater exports, accelerated industrialization, increased national savings, and continued financial stabilization, so as to increase national income and assist the nation in attaining its long-range goal of a self-sustaining economy.

9. President Johnson reaffirmed assurances previously stated by Secretary of State Rusk and other United States officials that the basic policy of the United States Government of extending military and economic aid to Korea would be continued. In addition to assistance directed toward maintaining Korea's security and independence, he stated that the United States would continue to assist Korea toward promoting a self-supporting economy, balanced economic growth and financial stability. He specifically stated that it is the intention of the United States Government, subject to applicable legislation, appropriations, and aid policies, to help Korean efforts to achieve stable economic growth by:

A. Continuing supporting assistance as appropriate to assist in financing Korea's es-

sential imports in connection with programs agreed upon as required for Korea's economic stability.

B. Making available to Korea \$150 million in development loan funds for programs and projects to be proposed by the Korean Government and to be agreed to by the United States Government. These funds will be made available as rapidly as possible as the Korean Government develops and presents acceptable programs and projects. After the use of these funds, it is anticipated that further development loan monies would be made available. President Johnson pointed out that these programs of long-term lending at low interest rates respond to the expanding investment requirements of the Korean economy. Such development loan funds would be made available in accordance with legislation and joint economic judgments, to finance such import programs as may be agreed and projects which will expand power resources and social overhead capital, increase efficiency and consequently output in agriculture and fisheries, and further technical and industrial development—small, medium, and large—benefiting all segments of the population and promoting balanced economic growth.

C. Continuing technical assistance and training.

D. Providing substantial assistance in agricultural commodities under the Food for Peace program, especially cotton and food grains; continuing to provide Food for Peace donations for development projects and for relief of unemployment and poverty.

10. The two Presidents agreed that this long-term United States economic aid to Korea, coupled with Korea's own efforts and resources that might be expected from other sources, should assure the Korean people of ever-widening opportunities for economic growth and for fruitful participation in world economic relationships.

11. President Park emphasized that the achievement of a self-supporting economy in Korea depends greatly upon its ability further to expand trade with other countries

and requested the continued cooperation of the United States in expanding the export of Korean products and commodities and in providing Korea with continuing opportunities to participate in procurements funded through United States assistance programs. President Johnson expressed his understanding of the importance to Korea of expanded exports and indicated that the United States would continue to cooperate with Korea in efforts to improve Korea's foreign trade position.

— 12. The two Presidents, recalling their respective earlier careers as schoolteachers, discussed together the needs, challenges and opportunities of education at all levels in both countries. President Park welcomed President Johnson's offer to send his Science Adviser to Korea for the purpose of exploring with industrial, scientific and education leaders possibilities for U.S. cooperation in establishing there an Institute for Industrial Technology and Applied Science. It was President Johnson's thought that the institute and its laboratories could both provide technical services and research for developing Korean industry and afford advanced Korean specialists trained in the United States opportunities to continue their research.

— 13. In the course of President Park's visit to Washington agreement was reached in principle on major issues of a status-of-forces agreement. Therefore it is expected that remaining issues will be resolved so that a status-of-forces agreement can be concluded in the near future.

14. President Park extended a cordial invitation to President Johnson to visit Korea at his earliest convenience. President Johnson expressed his desire to visit Korea. Both Presidents expressed their desire to maintain close personal contact to continue to serve the cause of freedom and peace.

9. Richard M. Nixon, "Asia After Viet Nam," Foreign Affairs (October 1967)
pp. 111-125

THE war in Viet Nam has for so long dominated our field of vision that it has distorted our picture of Asia. A small country on the rim of the continent has filled the screen of our minds; but it does not fill the map. Sometimes dramatically, but more often quietly, the rest of Asia has been undergoing a profound, an exciting and on balance an extraordinarily promising transformation. One key to this transformation is the emergence of Asian regionalism; another is the development of a number of the Asian economies; another is gathering disaffection with all the old isms that have so long imprisoned so many minds and so many governments. By and large the non-communist Asian governments are looking for solutions that work, rather than solutions that fit a preconceived set of doctrines and dogmas.

Most of them also recognize a common danger, and see its source as Peking. Taken together, these developments present an extraordinary set of opportunities for a U.S. policy which must begin to look beyond Viet Nam. In looking toward the future, however, we should not ignore the vital role Viet Nam has played in making these developments possible. Whatever one may think of the "domino" theory, it is beyond question that without the American commitment in Viet Nam Asia would be a far different place today.

The U.S. presence has provided tangible and highly visible proof that communism is not necessarily the wave of Asia's future. This was a vital factor in the turnaround in Indonesia, where a tendency toward fatalism is a national characteristic. It provided a shield behind which the anti-communist forces found the courage and the capacity to stage their counter-coup and, at the final moment, to rescue their country from the Chinese orbit. And, with its 100 million people, and its 3,000-mile arc of islands containing the region's richest hoard of natural resources, Indonesia constitutes by far the greatest prize in the Southeast Asian area.

Beyond this, Viet Nam has diverted Peking from such other potential targets as India, Thailand and Malaysia. It has bought vitally needed time for governments that were weak or unstable or leaning toward Peking as a hedge against the future—time

which has allowed them to attempt to cope with their own insurrections while pressing ahead with their political, economic and military development. From Japan to India, Asian leaders know why we are in Viet Nam and, privately if not publicly, they urge us to see it through to a satisfactory conclusion.

II

Many argue that an Atlantic axis is natural and necessary, but maintain, in effect, that Kipling was right, and that the Asian peoples are so "different" that Asia itself is only peripherally an American concern. This represents a racial and cultural chauvinism that does little credit to American ideals, and it shows little appreciation either of the westward thrust of American interests or of the dynamics of world development.

During the final third of the twentieth century, Asia, not Europe or Latin America, will pose the greatest danger of a confrontation which could escalate into World War III. At the same time, the fact that the United States has now fought three Asian wars in the space of a generation is grimly but truly symbolic of the deepening involvement of the United States in what happens on the other side of the Pacific—which modern transportation and communications have brought closer to us today than Europe was in the years immediately preceding World War II.

The United States is a Pacific power. Europe has been withdrawing the remnants of empire, but the United States, with its coast reaching in an arc from Mexico to the Bering Straits, is one anchor of a vast Pacific community. Both our interests and our ideals propel us westward across the Pacific, not as conquerors but as partners, linked by the sea not only with those oriental nations on Asia's Pacific littoral but at the same time with occidental Australia and New Zealand, and with the island nations between.

Since World War II, a new Asia has been emerging with startling rapidity; indeed, Asia is changing more swiftly than any other part of the world. All around the rim of China nations are becoming Western without ceasing to be Asian.

The dominant development in Asia immediately after World War II was decolonization, with its admixture of intense nationalism. But the old nationalist slogans have less meaning for today's young than they had for their fathers. Having never known a "colonialist," they find colonialists unconvincing as

scapegoats for the present ills of their societies. If dissatisfied with conditions as they see them, the young tend to blame those now in power.

As the sharp anticolonial focus blurs, the old nationalism is evolving into a more complex, multi-layered set of concepts and attitudes. On the one hand are a multitude of local and tribal identifications—the Montagnards in Viet Nam, the Han tribes in Burma, the provincial and linguistic separatisms that constantly claw at the fabric of Indian unity. On the other hand, there is a reaching-out by the governing élites, and particularly the young, for something larger, more like an Asian regionalism.

The developing coherence of Asian regional thinking is reflected in a disposition to consider problems and loyalties in regional terms, and to evolve regional approaches to development needs and to the evolution of a new world order. This is not excessively chauvinistic, but rather in the nature of a coalescing confidence, a recognition that Asia can become a counterbalance to the West, and an increasing disposition to seek Asian solutions to Asian problems through coöperative action.

Along with the rising complex of national, subregional and regional identification and pride, there is also an acute sense of common danger—a factor which serves as catalyst to the others. The common danger from Communist China is now in the process of shifting the Asian governments' center of concern. During the colonial and immediately post-colonial eras, Asians stood opposed primarily to the West, which represented the intruding alien power. But now the West has abandoned its colonial role, and it no longer threatens the independence of the Asian nations. Red China, however, does, and its threat is clear, present and repeatedly and insistently expressed. The message has not been lost on Asia's leaders. They recognize that the West, and particularly the United States, now represents not an oppressor but a protector. And they recognize their need for protection.

This does not mean that the old resentments and distrusts have vanished, or that new ones will not arise. It does, however, mean that there has been an important shift in the balance of their perceptions about the balance of danger, and this shift has important implications for the future.

One of the legacies of Viet Nam almost certainly will be a deep reluctance on the part of the United States to become involved once again in a similar intervention on a similar basis. The war

has imposed severe strains on the United States, not only militarily and economically but socially and politically as well. Bitter dissension has torn the fabric of American intellectual life, and whatever the outcome of the war the tear may be a long time mending. If another friendly country should be faced with an externally supported communist insurrection—whether in Asia, or in Africa or even Latin America—there is serious question whether the American public or the American Congress would now support a unilateral American intervention, even at the request of the host government. This makes it vitally in their own interest that the nations in the path of China's ambitions move quickly to establish an indigenous Asian framework for their own future security.

In doing so, they need to fashion arrangements able to deal both with old-style wars and with new—with traditional wars, in which armies cross over national boundaries, and with the so-called “wars of national liberation,” in which they burrow under national boundaries.

I am not arguing that the day is past when the United States would respond militarily to communist threats in the less stable parts of the world, or that a unilateral response to a unilateral request for help is out of the question. But other nations must recognize that the role of the United States as world policeman is likely to be limited in the future. To ensure that a U.S. response will be forthcoming if needed, machinery must be created that is capable of meeting two conditions: (a) a collective effort by the nations of the region to contain the threat by themselves; and, if that effort fails, (b) a collective request to the United States for assistance. This is important not only from the respective national standpoints, but also from the standpoint of avoiding nuclear collision.

Nations not possessing great power can indulge in the luxury of criticism of others; those possessing it have the responsibility of decision. Faced with a clear challenge, the decision not to use one's power must be as deliberate as the decision to use it. The consequences can be fully as far-reaching and fully as irrevocable.

If another world war is to be prevented, every step possible must be taken to avert direct confrontations between the nuclear powers. To achieve this, it is essential to minimize the number of occasions on which the great powers have to decide whether or not to commit their forces. These choices cannot be eliminated,

but they can be reduced by the development of regional defense pacts, in which nations undertake, among themselves, to attempt to contain aggression in their own areas.

If the initial response to a threatened aggression, of whichever type—whether across the border or under it—can be made by lesser powers in the immediate area and thus within the path of aggression, one of two things can be achieved: either they can in fact contain it by themselves, in which case the United States is spared involvement and thus the world is spared the consequences of great-power action; or, if they cannot, the ultimate choice can be presented to the United States in clear-cut terms, by nations which would automatically become allies in whatever response might prove necessary. To put it another way, the regional pact becomes a buffer separating the distant great power from the immediate threat. Only if the buffer proves insufficient does the great power become involved, and then in terms that make victory more attainable and the enterprise more palatable.

This is particularly important when the threat takes the form of an externally supported guerrilla action, as we have faced in Viet Nam, as is even now being mounted in Thailand, and as could be launched in any of a half-dozen other spots in the Chinese shadow. Viet Nam has shown how difficult it is to make clear the distinction between this and an ordinary factional civil war, and how subject the assisting power is to charges of having intervened in an internal matter. Viet Nam's neighbors know that the war there is not internal, but our own allies in Europe have difficulty grasping the fact.

The fragmenting of the communist world has lent credence to the frequently heard argument that a communist advance by proxy, as we have seen attempted in Viet Nam, is of only peripheral importance; that with the weakening of rigid central control of the communist world, local fights between communist and non-communist factions are a local matter. This ignores, however, the fact that with the decentralization of communist control has come an appropriately tailored shift in communist tactics. National communism poses a different kind of threat than did the old-style international communism, but by being subtler it is in some ways more dangerous.

SEATO was useful and appropriate to its time, but it was Western in origin and drew its strength from the United States and Europe. It has weakened to the point at which it is little

more than an institutional embodiment of an American commitment, and a somewhat anachronistic relic of the days when France and Britain were active members. Asia today needs its own security undertakings, reflecting the new realities of Asian independence and Asian needs.

Thus far, despite a pattern of rapidly increasing coöperation in cultural and economic affairs, the Asian nations have been unwilling to form a military grouping designed to forestall the Chinese threat, even though several have bilateral arrangements with the United States. But an appropriate foundation-stone exists on which to build: the Asian and Pacific Council. ASPAC held its first ministerial-level meeting in Seoul in June 1966, and its second in Bangkok in July 1967. It has carefully limited itself to strengthening regional coöperation in economic, cultural and social matters, and its members have voiced strong feelings that, as Japan's Foreign Minister Takeo Miki put it at the Bangkok meeting, it should not be made "a body to promote anticommunist campaigns."

Despite ASPAC's present cultural and economic orientation, however, the solidifying awareness of China's threat should make it possible—if the need for a regional alliance is put in sufficiently compelling terms—to develop it into an alliance actively dedicated toconcerting whatever efforts might be necessary to maintain the security of the region. And ASPAC is peculiarly well situated to play such a role. Its members (South Korea, Japan, Taiwan, Thailand, Malaysia, South Viet Nam, the Philippines, Australia and New Zealand, with Laos as an observer) all are acutely conscious of the Chinese threat. All except Malaysia have military ties with the United States. It has the distinct advantage of including Australia and New Zealand, which share the danger and would be able to contribute substantially to its strength, without an unbalancing great-power presence.

I do not mean to minimize the difficulties of winning acceptance of such a concept. In Japan, public opinion still lags behind official awareness of military needs. The avowedly neutralist nations under China's cloud would be reluctant, at present, to join any such grouping. But looking further down the road we can project either an erosion of their neutralism or the formation of their own loose association or associations, which might be tied into a militarily oriented ASPAC on an interlocking or coöperative basis. One can hope that even India might finally be persuaded to

give its support, having itself been the target of overt Chinese aggression, and still cherishing as it does a desire to play a substantial role beyond its own borders.

III

Military security has to rest, ultimately, on economic and political stability. One of the effects of the rapidity of change in the world today is that there can no longer be static stability; there can only be dynamic stability. A nation or society that fails to keep pace with change is in danger of flying apart. It is important that we recognize this, but equally important that in trying to maintain a dynamic stability we remember that the stability is as important as the dynamism.

If a given set of ends is deemed desirable, then from the standpoint of those dedicated to peace and an essential stability in world order the desideratum is to reach those ends by evolutionary rather than revolutionary means. Looking at the pattern of change in non-communist Asia, we find that the professed aims of the revolutionaries are in fact being achieved by an evolutionary process. This offers a dramatic opportunity to draw the distinction between the fact of a revolutionary *result* and the *process* of revolutionary change. The Asian nations are showing that evolutionary change can be as exciting as revolutionary change. Having revolutionized the aims of their societies, they are showing what can be achieved within a framework of dynamic stability.

The "people," in the broadest sense, have become an entity to be served rather than used. In much of Asia, this change represents a revolution of no less magnitude than the revolution that created the industrial West, or that in the years following World War II transformed empires into new and struggling nations. It is precisely the promise of this reversal that has been at the heart of communist rhetoric, and at the heart of the popular and intellectual appeal which that rhetoric achieved.

Not all the governments of non-communist Asia fit the Western ideal of parliamentary democracy—far from it. But Americans must recognize that a highly sophisticated, highly advanced political system, which required many centuries to develop in the West, may not be best for other nations which have far different traditions and are still in an earlier stage of development. What matters is that these governments are consciously, deliberately

and programmatically developing in the direction of greater liberty, greater abundance, broader choice and increased popular involvement in the processes of government.

Poverty that was accepted for centuries as the norm is accepted no longer. In a sense it could be said that a new chapter is being written in the winning of the West: in this case, a winning of the promise of Western technology and Western organization by the nations of the East. The cultural clash has had its costs and produced its strains, but out of it is coming a modernization of ancient civilizations that promises to leap the centuries.

The process produces transitional anomalies—such as the Indian woman squatting in the mud, forming cow-dung patties with her hands and laying them out to dry, while a transistor radio in her lap plays music from a Delhi station. It takes a long time to bring visions of the future to the far villages—but time is needed to make those visions credible, and make them achievable. Too wide a gap between reality and expectation always produces an explosive situation, and the fact that what the leaders know is possible is unknown to the great mass of the peasantry helps buy time to make the possible achievable. But the important thing is that the leaders do know what is possible, and by and large they are determined to make it happen.

Whether that process is going to proceed at a pace fast enough to keep one step ahead of the pressure of rising expectations is one of the great questions and challenges of the years ahead. But there is solid ground for hope. The successful Asian nations have been writing extraordinary records. To call their performance an economic miracle would be something of a semantic imprecision; it would also be a disservice. Precisely because the origins and ingredients of that success are not miraculous, it offers hope to those which have not yet turned the corner.

India still is a staggering giant, Burma flirts with economic chaos, and the Philippines, caught in a conflict of cultures and in search of an identity, lives in a precarious economic and social balance. But the most exciting trends in economic development today are being recorded by those Asian nations that have accepted the keys of progress and used them. Japan, Hong Kong, Taiwan, Thailand, Korea, Singapore and Malaysia all have been recording sustained economic growth rates of 7 percent a year or more; Japan has sustained a remarkable average of 9 percent a year since 1950, and an average 16.7 percent per year increase in

exports over the same period. Thailand shifted into a period of rapid growth in 1958 and has averaged 7 percent a year since. South Korea, despite the unflattering estimates of its people's abilities by the average G.I. during the Korean War, is shooting ahead at a growth rate that has averaged 8 percent a year since 1963, with an average 42 percent a year increase in its exports.

These rapidly advancing countries vary widely in their social traditions and political systems, but their methods of economic management have certain traits in common: a prime reliance on private enterprise and on the pricing mechanisms of the market as the chief determinant of business decisions; a pacing of monetary expansion to match growth in output; receptivity to private capital investment, both domestic and foreign, including such incentives as tax advantages and quick government clearance of proposed projects; imaginative national programs for dealing with social problems; and, not least, a generally restrained posture in government planning, with the government's role suggestive rather than coercive. These nations have, in short, discovered and applied the lessons of America's own economic success.

IV

Any discussion of Asia's future must ultimately focus on the respective roles of four giants: India, the world's most populous non-communist nation; Japan, Asia's principal industrial and economic power; China, the world's most populous nation and Asia's most immediate threat; and the United States, the greatest Pacific power. (Although the U.S.S.R. occupies much of the land map of Asia, its principal focus is toward the west and its vast Asian lands are an appendage of European Russia.)

India is both challenging and frustrating: challenging because of its promise, frustrating because of its performance. It suffers from escalating overpopulation, from too much emphasis on industrialization and not enough on agriculture, and from too doctrinaire a reliance on government enterprise instead of private enterprise. Many are deeply pessimistic about its future. One has to remember, however, that in the past five years India has fought two wars and faced two catastrophic droughts. On both the population and the agricultural fronts, India's present leaders at least are trying. And the essential factor, from the standpoint of U.S. policy, is that a nation of nearly half a billion people is seeking ways to wrench itself forward without a sacrifice of basic

freedoms; in exceedingly difficult circumstances, the ideal of evolutionary change is being tested. For the most populous representative democracy in the world to fail, while Communist China—surmounting its troubles—succeeded, would be a disaster of worldwide proportions. Thus the United States must do two things: (1) continue its aid and support for Indian economic objectives; and (2) do its best to persuade the Indian Government to shift its means and adjust its institutions so that those objectives can be more quickly and more effectively secured, drawing from the lessons not only of the United States but also of India's more successful neighbors, including Pakistan.

Japan has been edging cautiously and discreetly toward a wider leadership role, acutely conscious at every step that bitter memories of the Greater East Asia Co-Prosperity Sphere might rise to haunt her if she pressed too hard or too eagerly. But what would not have been possible ten, or even five, years ago is becoming possible today. Half the people now living in Asia have been born since World War II, and the new generation has neither the old guilts (in the case of the Japanese themselves) nor the old fears born of conquest.

The natural momentum of Japan's growth, the industry of her people and the advanced state of her society must inevitably propel Japan into a more conspicuous position of leadership. Japan's industrial complex, expanding by 14 percent annually since 1950, already is comparable to that of West Germany or the United Kingdom. Japan's gross national product (\$95 billion) is substantially greater than that of mainland China, with seven times the population. Japan is expected soon to rank as the world's third-strongest economic power, trailing only the United States and the Soviet Union. Along with this dramatic economic surge, Japan will surely want to play a greater role both diplomatically and militarily in maintaining the balance in Asia. As the Prime Minister of one neighboring country put it: "The Japanese are a great people, and no great people will accept as their destiny making better transistor radios and teaching the underdeveloped how to grow better rice."

This greater role will entail, among other things, a modification of the present terms of the Japanese Constitution, which specifically provides that "land, sea and air forces, as well as other war potential, will never be maintained." (Japan's 275,000 men presently under arms are called "Self-Defense Forces.") Twenty

years ago it was considered unthinkable that Japan should acquire even a conventional military capability. Five years ago, while some Japanese thought about it, they did not talk about it. Today a substantial majority of Japanese still oppose the idea, but it is openly discussed and debated. Looking toward the future, one must recognize that it simply is not realistic to expect a nation moving into the first rank of major powers to be totally dependent for its own security on another nation, however close the ties. Japan's whole society has been restructured since World War II. While there still are traces of fanaticism, its politics at least conform to the democratic ideal. Not to trust Japan today with its own armed forces and with responsibility for its own defense would be to place its people and its government under a disability which, whatever its roots in painful recent history, ill accords with the role Japan must play in helping secure the common safety of non-communist Asia.

Any American policy toward Asia must come urgently to grips with the reality of China. This does not mean, as many would simplistically have it, rushing to grant recognition to Peking, to admit it to the United Nations and to ply it with offers of trade—all of which would serve to confirm its rulers in their present course. It does mean recognizing the present and potential danger from Communist China, and taking measures designed to meet that danger. It also means distinguishing carefully between long-range and short-range policies, and fashioning short-range programs so as to advance our long-range goals.

Taking the long view, we simply cannot afford to leave China forever outside the family of nations, there to nurture its fantasies, cherish its hates and threaten its neighbors. There is no place on this small planet for a billion of its potentially most able people to live in angry isolation. But we could go disastrously wrong if, in pursuing this long-range goal, we failed in the short range to read the lessons of history.

The world cannot be safe until China changes. Thus our aim, to the extent that we can influence events, should be to induce change. The way to do this is to persuade China that it *must* change: that it cannot satisfy its imperial ambitions, and that its own national interest requires a turning away from foreign adventuring and a turning inward toward the solution of its own domestic problems.

If the challenge posed by the Soviet Union after World War II

was not precisely similar, it was sufficiently so to offer a valid precedent and a valuable lesson. Moscow finally changed when it, too, found that change was necessary. This was essentially a change of the head, not of the heart. Internal evolution played a role, to be sure, but the key factor was that the West was able to create conditions—notably in the shoring up of European defenses, the rapid restoration of European economies and the cementing of the Atlantic Alliance—that forced Moscow to look to the wisdom of reaching some measure of accommodation with the West. We are still far from reaching a full détente, but at least substantial progress has been made.

During the next decade the West faces two prospects which, together, could create a crisis of the first order: (1) that the Soviets may reach nuclear parity with the United States; and (2) that China, within three to five years, will have a significant deliverable nuclear capability—and that this same China will be outside any nonproliferation treaty that might be signed, free, if it chooses, to scatter its weapons among “liberation” forces anywhere in the world.

This heightens the urgency of building buffers that can keep the major nuclear powers apart in the case of “wars of national liberation,” supported by Moscow or Peking but fought by proxy. It also requires that we now assign to the strengthening of non-communist Asia a priority comparable to that which we gave to the strengthening of Western Europe after World War II.

Some counsel conceding to China a “sphere of influence” embracing much of the Asian mainland and extending even to the island nations beyond; others urge that we eliminate the threat by preëmptive war. Clearly, neither of these courses would be acceptable to the United States or to its Asian allies. Others argue that we should seek an anti-Chinese alliance with European powers, even including the Soviet Union. Quite apart from the obvious problems involved in Soviet participation, such a course would inevitably carry connotations of Europe vs. Asia, white vs. non-white, which could have catastrophic repercussions throughout the rest of the non-white world in general and Asia in particular. If our long-range aim is to pull China back into the family of nations, we must avoid the impression that the great powers or the European powers are “ganging up;” the response should clearly be one of active defense rather than potential offense, and must be untainted with any suspicion of racism.

For the United States to go it alone in containing China would not only place an unconscionable burden on our own country, but also would heighten the chances of nuclear war while undercutting the independent development of the nations of Asia. The primary restraint on China's Asian ambitions should be exercised by the Asian nations in the path of those ambitions, backed by the ultimate power of the United States. This is sound strategically, sound psychologically and sound in terms of the dynamics of Asian development. Only as the nations of non-communist Asia become so strong—economically, politically and militarily—that they no longer furnish tempting targets for Chinese aggression, will the leaders in Peking be persuaded to turn their energies inward rather than outward. And that will be the time when the dialogue with mainland China can begin.

For the short run, then, this means a policy of firm restraint, of no reward, of a creative counterpressure designed to persuade Peking that its interests can be served only by accepting the basic rules of international civility. For the long run, it means pulling China back into the world community—but as a great and progressing nation, not as the epicenter of world revolution.

"Containment without isolation" is a good phrase and a sound concept, as far as it goes. But it covers only half the problem. Along with it, we need a positive policy of pressure and persuasion, of dynamic detoxification, a marshaling of Asian forces both to keep the peace and to help draw off the poison from the *Thoughts of Mao*.

Dealing with Red China is something like trying to cope with the more explosive ghetto elements in our own country. In each case a potentially destructive force has to be curbed; in each case an outlaw element has to be brought within the law; in each case dialogues have to be opened; in each case aggression has to be restrained while education proceeds; and, not least, in neither case can we afford to let those now self-exiled from society stay exiled forever. We have to proceed with both an urgency born of necessity and a patience born of realism, moving step by calculated step toward the final goal.

V

And finally, the role of the United States.

Weary with war, disheartened with allies, disillusioned with aid, dismayed at domestic crises, many Americans are heeding the call

of the new isolationism. And they are not alone; there is a tendency in the whole Western world to turn inward, to become parochial and isolationist—dangerously so. But there can be neither peace nor security a generation hence unless we recognize now the massiveness of the forces at work in Asia, where more than half the world's people live and where the greatest explosive potential is lodged.

Out of the wreckage of two world wars we forged a concept of an Atlantic community, within which a ravaged Europe was rebuilt and the westward advance of the Soviets contained. If tensions now strain that community, these are themselves a by-product of success. But history has its rhythms, and now the focus of both crisis and change is shifting. Without turning our backs on Europe, we have now to reach out westward to the East, and to fashion the sinews of a Pacific community.

This has to be a community in the fullest sense: a community of purpose, of understanding and of mutual assistance, in which military defenses are coördinated while economies are strengthened; a community embracing a concert of Asian strengths as a counterforce to the designs of China; one in which Japan will play an increasing role, as befits its commanding position as a world economic power; and one in which U.S. leadership is exercised with restraint, with respect for our partners and with a sophisticated discretion that ensures a genuinely Asian idiom and Asian origin for whatever new Asian institutions are developed.

In a design for Asia's future, there is no room for heavy-handed American pressures; there is need for subtle encouragement of the kind of Asian initiatives that help bring the design to reality. The distinction may seem superficial, but in fact it is central both to the kind of Asia we want and to the effectiveness of the means of achieving it. The central pattern of the future in U.S.-Asian relations must be American support for Asian initiatives.

The industrial revolution has shown that mass abundance is possible, and as the United States moves into the post-industrial world—the age of computers and cybernetics—we have to find ways to engineer an escape from privation for those now living in mass poverty. There can be no security, whatever our nuclear stockpiles, in a world of boiling resentment and magnified envy. The oceans provide no sanctuary for the rich, no barrier behind which we can hide our abundance.

The struggle for influence in the Third World is a three-way

race among Moscow, Peking and the West. The West has offered both idealism and example, but the idealism has often been unconvincing and the example non-idiomatic. However, an industrialized Japan demonstrates the economically possible in Asian terms, while an advancing Asia tied into a Pacific community offers a bridge to the underdeveloped elsewhere. During this final third of the twentieth century, the great race will be between man and change: the race to control change, rather than be controlled by it. In this race we cannot afford to wait for others to act, and then merely react. And the race in Asia is already under way.

10. Statements by U.S. officials concerning the capture of the "U.S.S. Pueblo" by North Korea, Department of State Bulletin, February 12, 1968

The Crisis in Korea

Following is an address to the Nation by President Johnson on January 26, together with other U.S. Government statements made January 23-26 on the Korean crisis.

ADDRESS BY PRESIDENT JOHNSON, JANUARY 26

White House press release dated January 26

My fellow Americans: Over the past 15 months the North Koreans have pursued a stepped-up campaign of violence against South Korea and the American troops in the area of the demilitarized zone.

Armed raider teams in very large numbers have been sent into South Korea to engage in sabotage and assassination.

On January 19, a 31-man team of North Korean raiders invaded Seoul with the object of murdering the President of the Republic of Korea.

In many of these aggressive actions Korean and American soldiers have been killed and wounded. The North Koreans are apparently attempting to intimidate the South Koreans and are trying to interrupt the growing spirit of confidence and progress in the Republic of Korea.

These attacks may also be an attempt by the Communists to divert South Korean and United States military resources which together are successfully resisting aggression in Vietnam.

This week the North Koreans committed yet another wanton and aggressive act by seizing American ship and its crew in international waters. Clearly, this cannot be accepted.

We are doing two things: First, we are very today taking the question before the Security Council of the United Nations. The result would be for the whole world community to persuade North Korea to return our men and to stop the dangerous of aggression against South Korea. We have been making other diplomatic efforts

as well. We shall continue to use every means available to find a prompt and a peaceful solution to the problem.

Second, we have taken and we are taking certain precautionary measures to make sure that our military forces are prepared for any contingency that might arise in this area.

These actions do not involve in any way a reduction of our forces in Viet-Nam.

I hope that the North Koreans will recognize the gravity of the situation which they have created. I am confident that the American people will exhibit in this crisis—as they have in other crises—determination and unity.

Thank you very much.

OTHER U.S. GOVERNMENT STATEMENTS

Defense Department Statement, January 23

Department of Defense press release dated January 23

The U.S.S. *Pueblo*, a Navy intelligence collection auxiliary ship, was surrounded by North Korean patrol boats and boarded by an armed party in international waters in the Sea of Japan shortly before midnight e.s.t. last night [January 22].

The United States Government acted immediately to establish contact with North Korea through the Soviet Union.

When the *Pueblo* was boarded, its reported position was approximately 25 miles from the mainland of North Korea.

The ship reported the boarding took place at 127 degrees, 54.3 minutes east longitude; 39 degrees, 25 minutes north latitude. The time was 11:45 p.m. e.s.t.

The ship's complement consists of 83, including six officers and 75 enlisted men and two civilians.

At approximately 10 p.m. e.s.t., a North Korean patrol boat approached the *Pueblo*. Using international signals, it requested the *Pueblo*'s nationality. The *Pueblo* identified herself as a U.S. ship. Continuing to use flag signals, the patrol boat said: "Heave to or I will open fire on you." The *Pueblo* replied: "I am in interna-

tional waters." The patrol boat circled the *Pueblo*.

Approximately 1 hour later, three additional patrol craft appeared. One of them ordered: "Follow in my wake; I have a pilot aboard." The four ships closed in on the *Pueblo*, taking different positions on her bow, beam, and quarter. Two MIG aircraft were also sighted by the *Pueblo* circling off the starboard bow.

One of the patrol craft began backing toward the bow of the *Pueblo*, with fenders rigged. An armed boarding party was standing on the bow.

The *Pueblo* radioed at 11:45 p.m. that she was being boarded by North Koreans.

At 12:10 a.m. e.s.t. today [January 23] the *Pueblo* reported that she had been requested to follow the North Korean ships into Wonsan and that she had not used any weapons.

The final message from the *Pueblo* was sent at 12:32 a.m. It reported that it had come to "all stop" and that it was "going off the air."

The *Pueblo* is designated the AGER-2. It is a modified auxiliary light cargo ship (AKL).

The *Pueblo* is 179 feet long and 33 feet wide, with a displacement of 906 tons. It has a 10.2-foot draft. Its maximum speed is 12.2 knots.

Statement by the Department of State Spokesman, January 23

You've all seen or had the statement by the Department of Defense this morning about the boarding in international waters of a U.S. naval vessel by North Koreans. I'm authorized to state that the United States Government views this action by North Korea with utmost gravity. We have asked the Soviet Union to convey to the North Koreans our urgent request for the immediate release of the vessel and crew.

The matter will also be raised directly with the North Koreans in a meeting of the Military Armistice Commission. We will, of course, use any other channels which might be helpful.

I wish to reemphasize the seriousness with which we view this flagrant North Korean action against the United States naval vessel on the high seas.

* Later on Jan. 23, the Department of Defense issued the following statement to the press:

Press reports which imply that the captain of the *Pueblo* made a number of calls for help are wrong.

The facts are that the only time the *Pueblo* requested assistance was when she was actually boarded. There were no earlier requests for assistance of any kind.

Time and distance factors made it impossible to respond to the call that was made when the ship was being boarded.

Statement by the Department of State Spokesman, January 24

At the meeting of the Military Armistice Commission in Panmunjom, the reaction of the North Korean side was cynical, denunciatory of the United States, and a distortion of the facts in the case.

Secretary Rusk's News Briefing January 24*

This is my first meeting with the committee since the new session convened. We roamed rather widely over international affairs. We discussed the recent Korean ship incident and, of course, the B-52 accident in Greenland, disarmament questions, Viet-Nam, Middle East. We ranged rather widely over the entire spectrum. I may be back again before too long to continue the discussion.

Q. Mr. Secretary, we have asked the North Koreans to give the Pueblo back. They have said "No." Where do we go from here?

A. Well, most of the questions I get from you fellows have to do with the future. Let's wait and see.

Q. Mr. Secretary, we did yesterday make an approach to the Russians—

A. Yes.

Q.—to secure their assistance. Can you tell us anything at all about the nature of their response?

A. No, not at this point.

Q. Is the United States determined to get the Pueblo back—

A. Yes.

Q.—by whatever means it takes.

A. Yes indeed. This is a very grave and serious matter. The seizure of a U.S. naval ship in international waters is one of the most serious kinds of action that can be taken, and I can assure that there is no light view of that here in the United States.

Q. Mr. Secretary, you have shown measured restraint so far. Could you explain the reason behind this restraint and continue along that line?

* Held after appearing before the House Committee on Foreign Affairs.

A. No, I don't want to philosophize about it. When we heard what had happened, we immediately got in touch with the—almost literally in a matter of minutes getting off messages to be in touch with North Korea to get this ship back and get the men back. Now, that has not yet occurred; so we will have to see where we go from here.

Q. You are not ruling out military force, are you?

A. I am not discussing the future in any way, shape, or form at this point.

Q. Could you discuss the role of the Enterprise, presently off North Korea?

A. No. It is there in the Sea of Japan, and it will be there until it is ordered to move.

Q. Mr. Secretary, there is about an hour, according to the accounts, when the ship was going back. Why was there no attempt to stop the Koreans from bringing the boat into port?

A. I have no answer on that. We need to discuss questions of that sort with the skipper—the skipper is not available to us—to see what actually happened during that period and what his judgments and assessments were.

Q. Why were there no American planes? There are airbases in that area.

A. I gather this has to do with what the skipper thought the situation was and what he might have asked for and what his assessment of the situation was. You see, there are acts of harassment that go on all the time—in the Mediterranean, in the Black Sea, in the Sea of Japan. We just don't know how the skipper saw it when the first motor torpedo boat came alongside and accosted him in the way that they

Q. Have we . . . the Russians to get this ship for us?

A. Well, we would like to see the Russians give us some help in this matter and get this out of there, but we can't anticipate yet what the result might be.

Q. Do we see any connection, sir, between events in Korea and our commitment in Nam—our extension there?

A. I don't see any organic connection. It is possible that the North Koreans, with their infiltration of agents across the 38th

parallel, think they might create some pressures or create some problems in that respect, but it won't have the slightest effect in that matter.

Q. Do you see it as part of activity in Laos, North Viet-Nam, and so on, as kind of orchestration of pressure on us?

A. I wouldn't connect Korea with Laos and South Viet-Nam at the present time. I do think that Laos and South Viet-Nam fit together. North Vietnamese forces are in both places, where they have no right to be. In Laos they are there directly contrary to the specific requirements of the Laos accords of 1962. We would like to see those accords carried out by everybody, which would mean that North Vietnamese forces would leave Laos. But I think this is orchestrated as a matter of North Vietnamese pressure on its neighbors. They not only have many regiments in South Viet-Nam; they have regiments in Laos, and they are helping to organize agents and guerrillas over in Thailand; so there is no question about some orchestration there. And those who think that Ho Chi Minh is just a nationalist ought to ponder on why, then, he is tinkering with Laos and Thailand, because those people are not Vietnamese.

Q. Mr. Secretary, can you give us any progress report on the exploration into the negotiation overtures by North Viet-Nam?

A. No, not at this point.

Q. Mr. Secretary, Senator [Richard B.] Russell said yesterday that this was a breach of international law, amounting to an act of war. Do you see it in the same way?

A. Well, it is certainly a major breach of international law and lends itself to that interpretation. Of course the seizure of an official naval vessel of another country in international waters and taken into your port is a very harsh act, and I would not object to designating it as an act of war in terms of the category of acts which could so be construed.

Q. Mr. Secretary, there have been a series of actions and statements from North Korea recently, of which this is only the latest—guerrilla raids, talk of another war. Has the danger increased of a new outbreak of fighting there?

A. That is up in part to North Korea. My strong advice to North Korea is to cool it, that there have been enough of these incidents, and they have been coming out of North Korea.

This incident in Seoul the other day was very serious. The pretense by North Korea that somehow these are merely South Koreans who are objecting to their government is nonsense. We know where these people come from and how they come; so I think North Korea would be well advised to pull back here and start living at peace with South Korea and stopping this kind of activity.

Q. Mr. Secretary, is there any plan to take this matter to the United Nations or—

A. I wouldn't want to discuss the future or next steps or what might be done following the representations we have made thus far. Thank you, gentlemen; I have to go.

White House Statement, January 25⁴

The President has directed Secretary of Defense McNamara to recall to active duty certain air squadrons and support units of the Air Force and the Navy.⁵ The Air Force Reserve, Air National Guard, and Naval Reserve planes involved will total 372 fighter and transport aircraft.

The reservists are being recalled immediately under congressional authority provided in the Department of Defense Appropriations Act of 1967. This act provides that:

Until June 30, 1968, the President may, when he deems it necessary, order to active duty any unit of the Ready Reserve of an armed force for a period of not to exceed 24 months.

When and if decisions are made on the callup of Army or Marine Corps reservists, appropriate announcements will be made promptly.

White House Statement, January 25⁴

The President this afternoon, after intensive consultations with his senior advisers, instructed Ambassador Goldberg [U.S. Representative to the United Nations Arthur J. Goldberg] to request an urgent meeting of the Security Council of the United Nations to consider the grave situation which has arisen in Korea by reason of North Korean aggressive actions against the Republic of Korea and the illegal and wanton seizure of a United States vessel and crew in international waters.

⁴ Read to news correspondents by George Christian, Press Secretary to the President.

⁵ For text of Executive Order 11392, see 33 Fed. Reg. 951.

This action by the President reflects earnest desire to settle this matter promptly and, if at all possible, by diplomatic means.

Ambassador Goldberg will be leaving within the hour to present an appropriate letter requesting such a meeting to the President of the Security Council.

Ambassador Goldberg has already advised by telephone the President of the Security Council and the Secretary-General of this proposed action by the United States.

Excerpt From an Address by Secretary Rusk, Cathedral Club, Brooklyn, N.Y., January 25

I know you would be concerned tonight to hear me say something new about the present moment in Korea. We've said a good deal in the course of today, and I recall in Ecclesiastes 3 it is said that "To everything there is a season . . . a time to keep silence, and a time to speak." Today we have taken precautionary measures with respect to our Armed Forces, and the President has instructed Ambassador Goldberg to present this matter before the Security Council of the United Nations tomorrow, and there will be a full exposition there of the issues involved.

I can say very simply tonight, without going into detail, that the seizure of a U.S. naval vessel in international waters is without precedent and is intolerable. And there can be no satisfactory result, short of the prompt, may I say, immediate release of that ship and its officers and crew.

This incident reminds us that when the great issues are at stake, it is important that we think just as clearly as possible, without illusions, without false hope. . . .

Statement by the Department of State Spokesman, January 26

Assistant Secretary [for International Organization Affairs Joseph J.] Sisco and Deputy Assistant Secretary [for East Asian and Pacific Affairs Samuel D.] Berger met this morning with other members of the Group of 16—that is, those governments which provided forces under the U.N. Command during the Korean war. The group was briefed fully on current diplomatic and other steps being taken by the United States to secure the prompt release of the *Pueblo* and its crew, including our referral

of the matter to the United Nations Security Council.

During the briefing, attention was focused on repeated North Korean violations of the Korean Armistice Agreement.

Representatives of the following countries were present: Australia, Belgium, Canada, Colombia, Ethiopia, France, Greece, Luxembourg, Netherlands, New Zealand, Philippines, South Africa, Thailand, Turkey, and the United Kingdom.

Mr. Sisco also met in a separate session with the Ambassador of the Republic of Korea, and that included a full exchange of information on the current situation.

We have taken note of a North Korean broadcast of an editorial in a North Korean newspaper.

Now, the purport of this editorial is to declare the crew of the *Pueblo* as criminals. Here is a direct quote:

The criminals who have violated the sovereignty of another country and perpetrated a provocative act must receive due punishment. These criminals must be dealt with by law.

Now, in our view, this statement is a flagrant travesty of the facts. It is the action of North Korea which is and has been illegal from the outset.

I am authorized to say that the United States Government would consider any such move by North Korea to be a deliberate aggravation of an already serious situation.

The United States Government has asked the International Committee of the Red Cross to intercede on behalf of the personnel of the *Pueblo*. We asked the ICRC to inquire about the welfare and physical condition of the men, to request their early release, and to offer ICRC assistance in arrangements for their release. We most urgently asked the ICRC to attempt to arrange the repatriation of seriously injured personnel.

U.N. Security Council Begins Debate on Korea

Following is the text of a letter from Arthur J. Goldberg, U.S. Representative to the United Nations, to Agha Shahi, President of the U.N. Security Council, together with statements made by Ambassador Goldberg in the Council on January 26 and 27.

AMBASSADOR GOLDBERG'S LETTER

U.N. press release 6

JANUARY 25, 1968

DEAR MR. PRESIDENT: I request an urgent meeting of the Security Council to consider the threat to peace which has been brought about by a series of increasingly dangerous and provocative military actions by North Korean authorities in violation of the Armistice Agreement and of international law and of the Charter of the United Nations. The armistice regime established by the Armistice Agreement of July 27, 1953 has been repeatedly violated by North Korean authorities. Violations have become increasingly serious during the past year and a half, during

which armed personnel on many occasions have been dispatched from North Korea across the demilitarized zone into the Republic of Korea on missions of terrorism and political assassination. A particularly grave incident occurred this month, when a band of armed terrorists was dispatched into the Republic of Korea on a mission whose apparent goal was the assassination of President Park.

More recently, North Korea has wilfully committed an act of wanton lawlessness against a naval vessel of the United States operating on the high seas. On January 23, the USS *Pueblo*, while operating in international waters, was illegally seized by armed North Korean vessels, and the ship and crew are still under forcible detention by North Korean authorities.

This North Korean action against a United States naval vessel on the high seas, and the serious North Korean armed raids across the demilitarized zone into the Republic of Korea, have created a situation of such gravity and danger as to require the urgent consideration of the Security Council which we are accordingly requesting.

STATEMENT OF JANUARY 26

U.S./U.N. press release 7

The United States has requested this meeting, as I stated in my letter to you, to consider the grave threat to peace which the authorities of North Korea have brought about by their increasingly dangerous and aggressive military actions in violation of the Korean Armistice Agreement of 1953; of the United Nations Charter, and of international law.

We have asked that the Council be convened at an hour when peace is in serious and imminent danger—when firm and forthwith action is required to avert that danger and preserve peace.

A virtually unarmed vessel of the United States Navy, sailing on the high seas, has been wantonly and lawlessly seized by armed North Korean patrol boats and her crew forcibly detained. This warlike action carries a danger to peace which should be obvious to all.

A party of armed raiders, infiltrated from North Korea, has been intercepted in the act of invading the South Korean Capital City of Seoul with the admitted assignment of assassinating the President of the Republic of Korea. This event marks the climax of a campaign by the North Korean authorities, over the past 18 months, of steadily growing infiltration, sabotage, and terrorism in flagrant violation of the Korean Armistice Agreement.

Mr. President, these two lines of action are manifestly parallel. Both stem from North Korea. Both are completely unwarranted and unjustified. Both are aimed against peace and security in Korea. Both violate the United Nations Charter, solemn international agreements, and time-honored international law. And both pose a grave threat to peace in a country whose long search for peace and reunification in freedom has been an historic concern to the United Nations and my country.

We bring these grave developments to the attention of the Security Council in the sincere hope that the Council will act promptly to remove the danger to international peace and security. For, Mr. President, it must be removed, and without delay. And it will be removed only if action is taken forthwith to secure the release of the U.S.S. *Pueblo* and its 83-man crew and to bring to an end the pattern of armed transgressions by North Korea against the Republic of Korea. My Government has stated at the highest

level our earnest desire to settle this matter promptly and peacefully and, if at all possible, by diplomatic means.

It is testimony to this desire that, in fidelity to the charter, my Government has brought this matter to the Security Council, which has the primary responsibility for the maintenance of international peace and security and which, together with other organs of the United Nations, has a special and historic concern for peace and security in Korea.

It is imperative, therefore, that the Security Council act with the greatest urgency and decisiveness. The existing situation cannot be allowed to stand. It must be corrected, and the Council must face up to its responsibility to see it corrected. This course is far more preferable to other remedies which the charter reserves to member states.

Let me now turn to the facts concerning these two aspects of North Korean aggressive conduct on which the Council's action is urgently required.

Seizure of the U.S.S. *Pueblo*

At 12 noon on January 23, Korean time, the United States ship *Pueblo*, manned by a crew of six officers, 75 enlisted men, and two civilians, and sailing in international waters off the North Korean coast, was confronted by a heavily armed North Korean patrol boat identified as submarine chaser No. 35.

The strict instructions under which the *Pueblo* was operating required it to stay at least 13 nautical miles from the North Korean coast. While my country adheres to the 3-mile rule of international law concerning territorial waters, nevertheless the ship was under orders whose effect was to stay well clear of the 12-mile limit which the North Korean authorities have by long practice followed.

The U.S.S. *Pueblo* reported this encounter and its location at the time in the following words—and I wish to quote exactly what was reported by radio at the time of the encounter—"U.S.S. *Pueblo* encountered one SO-1 class North Korean patrol craft at 0300Z"—that is, at 12 noon Korean time—and then—I am repeating its broadcast—"Position 39-25.2 NL 127-55.0 EL DIW." I might explain that DIW means "Dead in Water," the standard terminology meaning that all engines are stopped and the vessel is stationary.

Now, with your permission, Mr. President, I should like to refer to this map¹ provided for the convenience of the Council and show the exact location of the *Pueblo* as given in these coordinates. If the members of the Council will look at the map, you will see a number 3 blue. Number 3 blue is approximately 25 nautical miles from the port of Wonsan. It is 16.3 nautical miles from the nearest point of the North Korean mainland, on the Peninsula of Hodo-Pando, and 15.3 nautical miles from the Island of Ung-Do.

Now, at exactly the same time, the North Korean submarine chaser No. 35, which intercepted the *Pueblo*, reported its own location in the number 3 red—and this is a report now from the North Korean submarine chaser No. 35 monitored by us—and that location was 39 degrees 25 minutes north latitude and 127 degrees 56 minutes east longitude. You will note the positions. In other words, these two reported positions are within a mile of one another and show conclusively that according to the North Korean report, as well as our own, the *Pueblo* was in international waters.

The report of its location by the North Korean craft, made by international Morse code, was followed 10 minutes later by the following oral message from the North Korean craft to its base, and I quote it: "We have approached the target here, the name of the target is GER 1-2."

Now, we talk about the *Pueblo*, and that is the name by which the ship is, of course, known. But the technical name for this ship is GER-2, and this name was painted on the side of the ship.

The message continued, and I again quote the Korean radio message in Korean words: "Get it! GER 1-2: did you get it? So our control target is GER 1-2. I will send it again. Our control target is GER 1-2."

Inasmuch as the location of the *Pueblo* is, of course, a matter of vital importance, it is important to the Council to know that the information available to the United States as reported by our vessel to our authorities and to the North Korean authorities as reported by its vessel and transmitted by its own ship was virtually identical, with only this small margin of difference. And interestingly enough, the North Korean ship reportedly the *Pueblo* to be

about a mile farther away from the shoreline than the United States fix of its position. That distance between the blue and the red is about a mile. So you see, the North Korean broadcast monitored was reporting what I have stated to this Council.

Mr. President, we have numerous other reports during this encounter consistent with the location I have described. And information other than coordinates corroborative of what I have said is by voice monitor; information on coordinates, as I said, was by international Morse code.

The North Korean patrol boat, having made its approach, used international flag signals to request the *Pueblo*'s nationality. The *Pueblo*, replying with the same signal system, identified herself as a United States vessel. The North Korean vessel then signaled: "Heave to or I will open fire on you." The *Pueblo* replied: "I am in international waters."

The reply was not challenged by the North Korean vessel, which, under international law, if there had been an intrusion—which there was not—should have escorted the vessel from the area in which it was. However, that vessel then proceeded for approximately an hour to circle the *Pueblo*, which maintained its course and kept its distance from the shore. At that point three additional North Korean armed vessels appeared, one of which ordered the *Pueblo*: "Follow in my wake." As this order was issued, the four North Korean vessels closed in on the *Pueblo* and surrounded it. At the same time two MIG aircraft appeared overhead and circled the *Pueblo*. The *Pueblo* attempted peacefully to withdraw from this encirclement but was forcibly prevented from doing so and brought to a dead stop. It was then seized by an armed boarding party and forced into the North Korean port of Wonsan.

Now, reports from the North Korean naval vessels on their location and on their seizure of the *Pueblo* at this point show that the *Pueblo* was constantly in international waters.

At 1:50 p.m. Korean time, within a few minutes of the reported boarding of the *Pueblo*, North Korean vessels reported their position at 39-26 NL 128-02 EL, or about 21.3 miles from the nearest North Korean land. This is the point on the map here. And we would be very glad, Mr. President, to make this map available for the records of the Security Council.

Now, Mr. President, I want to lay to rest—

¹ Not printed here.

completely to rest—some intimations that the *Pueblo* had intruded upon the territorial waters and was sailing away from territorial waters and that the North Korean ships were in hot pursuit. This is not the case at all, and I shall demonstrate it by this map.

Now, we will show by times and the course of the vessel exactly what occurred, and you will see from this that the location of the *Pueblo* was constantly far away from Korean shores, always away from the 12-mile limit until it was taken into Wonsan by the North Korean vessels. The locations of the *Pueblo* are shown on the blue line, and the location of the SO-1 35, the first North Korean vessel, on the red line.

Now, the *Pueblo*, far from having sailed from inside territorial waters to outside territorial waters, was cruising in an area—in this area—and this will be demonstrated by the time sequence—and when I say, "this area," I mean the area that is east and south of any approach to the 12-mile limit.

At 0830 Korean local time, the *Pueblo* was at the location I now point to on the map. It had come to that point from the southeast, not from anywhere in this vicinity. And that is point 1 on the map, so that our record will be complete. Point 2 on the map shows the position of the North Korean submarine chaser No. 35 as reported by her at 10:55, and you will see that she is close to—the North Korean vessel, not the *Pueblo*—the 12-mile limit.

Point No. 3 is the position reported by the *Pueblo* at 12 o'clock noon, and you will see that she is a considerable distance from the 12-mile limit, which is the dotted line.

Red point No. 3 is the position reported by the North Korean submarine chaser No. 35 at 12 o'clock noon when it signaled the *Pueblo* to stop. In other words, this is the position of the North Korean vessel, this is the position of the *Pueblo*; and the position of the North Korean vessel that I point to, the red line, the position reported audibly by the North Korean vessel. There is very little difference in these two reports.

Point No. 4 is the position reported by the North Korean vessel at 1350—1:50 p.m.—when she reported boarding the *Pueblo*. And you will recall that I just told the Council that the *Pueblo*, seeking to escape the encirclement, did not move in the direction which would have transgressed the 12-mile limit.

Now, all of this is verified not by reports solely from the *Pueblo*; all of this is verified by

reports from the North Korean vessels which were monitored; and I think it is a very clear picture of exactly what transpired.

Here, too, Mr. President, with your permission, we will make this available.

Mr. President, it is incontrovertible from type of evidence, which is physical evidence of international Morse code signals and voice reports, that the *Pueblo* when first approached and when seized was in international waters well beyond the 12-mile limit and that the North Koreans knew this.

Offense Against International Law

Further compounding this offense against international law, and the gravity of this warlike act, is the fact that the North Koreans clearly intended to capture the *Pueblo*, knowing that it was in international waters, and force it to enter into the port of Wonsan. This aim is made clear by messages exchanged among the North Korean vessels themselves which we monitored, including the following: "By talking this way, it will be enough to understand according to present instructions we will close down the radio, tie up the personnel, tow it, and enter port at Wonsan. At present we are on our way to boarding. We are coming in." This is an exact voice broadcast from the ship which acknowledges the instructions that it was following.

Now, Mr. President, in light of this, this was no mere incident, no case of mistaken identity, no case of mistaken location. It was nothing less than a deliberate, premeditated armed attack on a United States naval vessel on the high seas, an attack whose gravity is underlined by these simple facts which I should now like to sum up.

The location of the *Pueblo* in international waters was fully known to the North Korean authorities since the broadcasts were not only between its own ships but were directed to its shore installations.

The *Pueblo* was so lightly armed that the North Koreans in one of the conversations which we have monitored even reported it as unarmed.

The *Pueblo* was therefore in no position to engage in a hostile, warlike act toward the territory or vessels of North Korea; and the North Koreans knew this.

Nevertheless, the *Pueblo*, clearly on the high seas, was forcibly stopped, boarded, and seized by North Korean armed vessels. This is a knowing and willful aggressive act—part of a deliberate series of actions in contravention of

international law and of solemn international arrangements designed to keep peace in the area, which apply not only to land forces but to naval forces as well. It is an action which no member of the United Nations could tolerate.

I might add, in light of the comments of the distinguished Soviet representative on the adoption of the agenda, that Soviet ships engage in exactly the same activities as the *Pueblo* and sail much closer to the shores of other states. And one such Soviet ship right now is to be found in the Sea of Japan and currently is not far from South Korean shores.

Terrorist Campaign Against South Korea

I turn now to the other grave category of aggressive actions taken by the North Korean authorities: their systematic campaign of infiltration, sabotage, and terrorism across the armistice demarcation line, in gross violation of the armistice agreement—not only in the vicinity of the demilitarized zone but also in many cases deep in the territory of the Republic of Korea—culminating in the recent raid against the Capital City of Seoul, the Presidential Palace, and the person of the President of the Republic.

The gravity of this campaign has already been made known to the Security Council. Last November 2 I conveyed to the Council a report from the United Nations Command in Korea,² summing up the evidence of a drastic increase in violations by North Korea of the Korean Armistice Agreement and subsequent agreements pertaining thereto. This report, Security Council Document S/8217, noted that the number of incidents involving armed infiltrators from North Korea had increased from 50 in 1966 to 543 in the first 10 months of 1967 and that the number of soldiers and civilians killed by these infiltrators had increased from 39 in 1966 to 144 in the same period of 1967.

The further report of the United Nations Command for the whole year 1967, filed today,³ shows a total of 566 incidents for 1967 and a total of 153 individuals killed by the North Korean infiltrators. The United Nations Command in its report has further pointed out that, although North Korea had refused all requests by the United Nations Command for investigation of these incidents by joint observer teams

pursuant to the armistice agreement, the evidence that the attacks had been mounted from North Korea is incontestable. This evidence is subject to verification by these reports which are on file with the Security Council.

The terrorist campaign, Mr. President, has now reached a new level of outrage. Last Sunday, January 21, security forces of the Republic of Korea made contact with a group of some 30 armed North Koreans near the Presidential Palace in Seoul. In a series of engagements both in Seoul and between Seoul and the demilitarized zone, lasting through January 24, about half of this group were killed and two captured. It has now been ascertained that the infiltration team totaled 31 agents, all with the rank of lieutenant or higher, dispatched from the 124th North Korean Army Unit; that these agents had received 2 years' training, including 2 weeks of training for the present mission, in special camps established in North Korea for this purpose; and that their assigned mission included the assassination of the President of the Republic of Korea.

I might add, Mr. President, that the North Korean authorities make no secret of the political strategy and motivation behind these attacks. Their daily propaganda vilifies the Government of the Republic of Korea and denies its very right to exist. Yet, Mr. President, this same Government of the Republic of Korea is recognized by 77 governments, is a member of numerous specialized agencies of the United Nations, and enjoys observer status at the United Nations headquarters.

Mr. President, it is obvious that this long series of attacks by North Korean infiltrators across the demilitarized zone—and by other groups of North Korean armed personnel which, traveling by sea, have penetrated into even the southern portions of South Korea—has steadily increased in its tempo and its scope until it threatens to undermine the whole structure of the armistice regime under which peace has been preserved in a divided Korea for 14 years.

In the interest of international peace and security, this deterioration cannot be allowed to continue. It must be reversed promptly. The armistice agreements must be restored to their full vigor, and the weight of the influence of the Security Council must be exerted to this vitally important end.

Mr. President, these are the facts of the threat to peace created by North Korea's aggressive

²For text, see BULLETIN of Nov. 20, 1967, p. 692.

³U.N. doc. S/8366; for text, see p. 199.

actions on sea and land. With all earnestness I ask the Security Council to act firmly and swiftly to rectify this dangerous situation and eliminate this threat to peace. Despite the most serious provocation—a provocation which every nation would recognize as serious and dangerous—my Government is exercising great restraint in this matter. We seek to give the processes of peaceful action all possible scope. We believe those processes can work swiftly and effectively, if the international community—including the members of this Council, individually and collectively—so wills it.

But, Mr. President, these peaceful processes must work. The present situation is not acceptable, and it cannot be left to drift. This great and potent organization of peace must not let the cause of peace in Korea be lost by default to the highhanded tactics of a lawless regime. Such a course would be an invitation to catastrophe.

Therefore, let the Security Council, with its great influence, promptly and effectively help to secure forthwith the safe return of the *Pueblo* and her crew and to restore to full vigor and effectiveness the Korean Armistice Agreement.

Fellow members of the Security Council, we have a clear and urgent responsibility under the charter to help keep the peace. I trust the Council will discharge this responsibility.

STATEMENT OF JANUARY 27

U.S./U.N. press release 11

Now, Mr. President, the Hungarian representative, our colleague, Ambassador [Károly] Csatorday, has reverted to the information-gathering mission to which the U.S.S. *Pueblo* was assigned when it was illegally seized on the high seas in violation of all international law. He did so and said that there was something illegal and heinous and improper about this type of activity.

It is a very strange double standard that the distinguished representative of Hungary finds that the mission of the United States ship to be improper while he is entirely silent about the activities of the Soviet Union, which maintains exactly such ships in close proximity to the United States and many other countries of the world. Soviet information ships performing

precisely the same functions are currently located at numerous places in the Pacific and Atlantic Oceans and the Mediterranean Sea near the shores of a number of countries. And the activities of the Soviet Union in the Sea of Japan are by no means novel. They are of long-standing. For the last 8 years, Soviet intelligence-gathering ships have patrolled the inland and coastal areas of the Sea of Japan collecting electronic and other information from a wide variety of sources and places.

Today, this very day, a Soviet vessel is operating in this area, as I indicated yesterday. And for the information of the Hungarian representative, the vessel is the T-48 class marine ship *Gidrolog*. Ambassador Morozov [Platon D. Morozov, representative of the Soviet Union] will correct me if my pronunciation is wrong. Now, this ship is roughly the same size as the *Pueblo*. It is even larger than the standard Soviet trawler used for these purposes. It is an 840-ton, 220-foot overall length, 30-foot beam, 20-knot speed, diesel engine, twin-screw ship. It may be of interest to members of the Council to know that such ships of the Soviet Navy in the Sea of Japan frequently sail closer than 10 miles to the shore of neighboring states in the area.

Now, Lord Caradon [representative of the United Kingdom], I think, has helped us very much in this area by pointing up the fact that all members of the Council should support the strict enforcement of the armistice agreement. And it is precisely because the North Korean authorities are not respecting the armistice agreement but are violating the armistice agreement that a very grave threat to the peace has occurred.

Now, part of the difficulty has been that the machinery set up by the Korean Armistice Agreement and related agreements, to which the Democratic People's Republic of Korea is a party, includes joint observer teams to investigate complaints of violation of the armistice. Unfortunately, owing to the adamant refusal of the North Korean side, this observer team machinery has been almost completely blocked from the beginning. And much can be said of the Military Armistice Commission which meets at Panmunjom. Specifically, and in line with their past performance, the North Korean side at

11. President Johnson and President Park Chung Hee of Korea Confer at Honolulu, Hawaii, April 1968: President Johnson's remarks and a joint communiqué, Department of State Bulletin, May 6, 1968

President Johnson and President Chung Hee Park of Korea Confer at Honolulu, Hawaii

REMARKS BY PRESIDENT JOHNSON ON ARRIVAL IN HONOLULU, APRIL 15

Honolulu International Airport

White House press release (Honolulu, Hawaii) dated April 15

I am very grateful for your coming out to welcome us to this wonderful State. During the past few weeks I have been meeting with our senior military and diplomatic officers from Viet-Nam—Ambassador [Ellsworth] Bunker, General [William C.] Westmoreland and his successor, General [Creighton W.] Abrams.¹

I have come to Hawaii this time principally to meet with President Park, the leader of our ally South Korea. I came a few days early so that I might review the situation in Viet-Nam with Admiral [U. S. G.] Sharp and his advisers and with his successor as Commander-in-Chief of the Pacific, Admiral [John S.] McCain.

I hope that the next President of our country will be able to come to Hawaii during his term of office solely in order to discuss the peaceful development of Asia and the Pacific.

In the coming months I am going to do everything within my power to try to bring that about and to make that possible. Today, part of our search for peace lies through the process of diplomacy. Another lies in the ability of our Allied forces to meet every challenge we may confront them on the battlefield. Here in Honolulu we shall be discussing both aspects of this search for peace during the next several days when we are here among you.

¹For background, see BULLETIN of Apr. 22, 1968, and Apr. 29, 1968, p. 540.

My friends, I thank you very much for offering us once again the hospitality that is so much a part of the Hawaiian tradition. I always enjoy coming here.

Thank you.

Iolani Palace

White House press release (Honolulu, Hawaii) dated April 15

With a greeting such as this from people such as you, I am almost inclined to reassess my decision to go home on next Thursday. I have been tempted many times to come here to Hawaii and to stay. There are few places in our country that can match the natural beauty of Hawaii, the cordiality of its people, the harmony of its many races, its great economic potential, and by no means least, the quality of its Governor, its congressional delegation, and its public officials.

My friends, I have come back to Hawaii to meet with a leader of one of America's bravest allies—President Park of South Korea. I have come to review the military situation in South Viet-Nam with Admiral Sharp and with his successor Admiral McCain.

During the next few days we shall be discussing our goal of peace in Asia. And we shall be discussing the twin paths we are taking to reach that goal: the path of diplomacy and the path of military preparedness.

We shall be discussing our diplomatic initiative in seeking talks with North Viet-Nam. We shall be discussing the readiness of our Allied forces to meet every challenge on the battlefield of South Viet-Nam.

Both of these paths are essential to our quest for an honorable and secure peace in South Viet-Nam.

I know how concerned you are, as I am, that this time, after years of fruitless pauses and proposals, the two sides may get down to serious talks about ending this brutal war.

I announced 2 weeks ago that we would sharply limit our bombing of North Viet-Nam and that we were willing to meet at any suitable place to begin talks.² Very promptly we proposed four neutral sites—Vientiane, Rangoon, Djakarta, and New Delhi—where both sides have representatives and adequate communications.

All of these are readily accessible to Hanoi. All of these are located in the regions which have the most direct and vital interest in the achievement of a stable peace.

Hanoi has given us two messages and has suggested two locations. We have responded by pointing out certain obvious reasons why each of the two sites was not suitable. As of now we have had no response or comment from Hanoi, other than radio statements, about any one of the locations that we have suggested.

For us, this is not a propaganda exercise. We have sent serious and considered messages aimed at bringing about the earliest possible contact. Ambassador [W. Averell] Harriman and Ambassador [Cyrus R.] Vance are ready. What is needed today is an equally serious reply reacting to our proposals for neutral sites or offering additional suggestions of neutral capitals where both of us have representatives and communications.

It is now 2 long weeks since I restricted our bombing and urged North Viet-Nam to come to the conference table.

We are eager to get on with the task of peace-making. Precious time is being lost. Asians and Americans alike are ready to let diplomacy go to work—now—without any further delay.

There will come a time—and I am sure of it—when the guns will be silent in Viet-Nam, when Asians will know not only peace but freedom to manage their own affairs, when the realities of Asia's prosperity match the richness of Asia's potential.

We have contributed much to bringing that day nearer, and we and the world will gain from it the only prize worth gaining: security for ourselves and our children, the chance to be free, the chance to live in peace.

² For President Johnson's address to the Nation on Mar. 31, see *ibid.*, Apr. 15, 1968, p. 481.

I know that many sons of these islands have paid the price of freedom in this conflict as others before it. If we are steady now in our quest for an honorable settlement, we shall redeem their sacrifice in a great Pacific at peace with itself and with all others.

Thank you, my dear friends in Hawaii, for your warmth, for your hospitality, and for your contribution to a great Nation.

MEETING WITH PRESIDENT PARK, APRIL 17

Remarks by President Johnson at the Korean Consulate

White House press release (Honolulu, Hawaii) dated April 17

I am delighted to be able to join President Park on this occasion, not only because I wish to share his pleasure in this meeting but because this occasion tells us so much of our past and our future. Today we had a most pleasant and productive discussion.

When I say "us," I mean all the peoples of the Pacific, who are determined to live as independent nations and free human beings.

You Americans here tonight of Korean descent know that this State has demonstrated to the rest of our Union—and to the entire world, for that matter—that America's concern for human dignity reaches out across the Pacific as well as across the Atlantic.

Our ties across the Pacific go back a long way—at least a century and a quarter—to the time when we became involved in China and then a little later in Japan. But it is only in the past 27 years that we have learned that the destiny of the United States is—once and for all—bound up with the fate of the peoples of Asia and the Pacific.

Until the end of the Second World War, we in America gave little thought to the history and the problems of our neighbors in Korea. Then, suddenly, we found ourselves caught up, as we have with many other peoples, in Korea's emergence from colonialism to independence.

Through no fault of their own, the people of Korea have had to bear more suffering and challenge than any other nation emerging from colonialism—with the possible exception of the people of Viet-Nam.

Together we have seen through a terrible war

and a period of uncertainty and confusion. Together we have had the privilege of sharing in the adventure of a new nation moving forward in a miracle of progress.

These ties, these memories, are important. They are as much a part of our history as they are of Korea's.

But equally important is the fact that this new nation and this free South Korea, of whom President Park is the spokesman—and a very able one—is now helping to build a new structure of cooperation in Asia.

As we face now in Viet-Nam, hopefully, a movement from war to peace, I wish to tell all of you, my fellow citizens—and you, my dear friend President Park—what I deeply believe.

I deeply believe that this nation will continue to play its part in helping to protect and to develop the new Asia.

I deeply believe that my successor, whoever he may be, will act in ways that will reflect America's abiding interest in Asia's freedom and in Asia's security.

The commitments of America in Europe and Asia—all made by Congresses and Presidents before my administration—are colorblind. They run with the security of the Nation and with our basic human values. They will remain firm in the years ahead. Because we know that peace among our neighbors of Asia is just as important to America as peace among our neighbors in Europe. Dignity, independence, and freedom are universal aspirations of men—East and West, North and South.

The days are long gone when Americans could say that Asians are not our kind of people. People who love peace and freedom, whatever their color or their religion or their national origin, are our kind of people. The fight against racism and bigotry knows no international dateline.

We wish to see Asia, like Europe, take an increasing responsibility for shaping its own destiny. And we intend and we mean to help it do so.

We look eagerly, even impatiently, to the day when the real battle of Asia can be joined with all of our resources:

- The struggle against poverty and hunger, illiteracy and disease;
- To increase the supply of food and to assist those who are trying to plan the size of families;
- To exploit to the hilt the fantastic possi-

bilities for developing the Mekong Valley, and all the other great conservation works of this continent.

In these works of peace the United States of America will take its fair share along with the other responsible nations of the industrial world.

And in their benefits all the nations of Southeast Asia should participate, not just our present allies but North Viet-Nam and all human beings in that great region who long for freedom and dignity.

America will remain the friend and the ally and the partner of Europe. But America will also remain the friend and the ally and the partner of free men in Asia.

This is my faith. This is my belief. This is my judgment.

I came here tonight to salute that great and gallant leader of the Korean people, whose friends of Korean descent have gathered here, to say that we applaud your leadership, we admire your progress, and we in America feel that we are not only an Atlantic nation but we are equally a Pacific nation.

In this part of the world, almost two-thirds of all humanity live. If that is what we are interested in—and that is all that really justifies our survival, a desire to better humanity—if that is what we are interested in, it is going to take at least more than half of our efforts, and we pledge to you sincerely tonight those efforts.

Good night and God bless you.

U.S.-Korea Joint Communique

White House press release (Honolulu, Hawaii) dated April 17

At the invitation of President Lyndon B. Johnson of the United States, President Chung Hee Park of the Republic of Korea visited Honolulu on April 17 and 18 to exchange views on the current international situation and matters of common interest and mutual concern.

KOREAN SITUATION

The two Presidents reviewed in detail the serious threat to the security of the Republic of Korea and to peace in East Asia resulting from the increasingly belligerent and aggressive actions of the north Korean communists during the past eighteen months, including the attack directed at the official residence of the President

of the Republic of Korea and the seizure of U.S.S. *Pueblo* in international waters in January. They reviewed the plans of their two governments for dealing with the grave situation created by these north Korean acts of aggression. President Park expressed his deep sympathy for the families and relatives of the crew of the U.S.S. *Pueblo* and sincerely hoped that they will soon regain their freedom from the hands of the north Korean communists.

The two Presidents agreed that further aggressive actions by the north Korean communists would constitute a most grave threat to peace. In that event, their two governments would immediately determine the action to be taken to meet this threat under the Mutual Defense Treaty between the United States and the Republic of Korea. In accordance with this Treaty President Johnson reaffirmed the readiness and determination of the United States to render prompt and effective assistance to repel armed attacks against the Republic of Korea.

President Johnson reaffirmed the adherence of his government to the Joint Policy Declaration which was signed on July 27, 1953 by the sixteen nations which supported the Republic of Korea during the Korean War.¹

The two Presidents reviewed the extraordinary measures which have been taken to strengthen Korean and American forces in the Republic of Korea. They agreed that these efforts should be continued in order that the Armed Forces of their countries would be able to deal effectively and swiftly with all contingencies in Korea.

The two Presidents recognized the need for strengthening security of the Republic of Korea as important not only for Korea but for the security of the general area. President Johnson recognized the need for continuing modernization of the armed forces of the Republic of Korea and the two Presidents reviewed the contribution which U.S. military assistance would make to such modernization and to the strengthening of the effective counter-infiltration programs which have already been developed by the Republic of Korea. They agreed that the first meeting between their respective Defense Ministries at ministerial level should be held in Washington in May to discuss and deliberate these matters further.

President Park outlined and discussed the various measures being taken by his government to ensure public safety and to thwart north Ko-

rean attempts at infiltration and sabotage. President Johnson expressed his satisfaction with and support for those measures, including the organization of the Homeland Reserve Force which he felt were wise and far-seeing.

President Johnson expressed his admiration for the rapid economic progress of the Republic of Korea, which has continued without pause despite the attempts of the north Korean regime to disrupt public order and confidence in the South. The two Presidents agreed that continued private investment from the United States and other friendly countries was desirable, and should be encouraged.

VIETNAM

The two Presidents reviewed in detail the situation in South Vietnam where Korean and American forces are fighting shoulder-to-shoulder to assist the Republic of Vietnam to defend against aggression and to assure the right of the South Vietnamese people to determine their own future without external interference or terrorist pressure.

The two Presidents noted the vigorous actions taken by the South Vietnamese Government to strengthen and increase its armed forces and to improve government effectiveness.

The two Presidents agreed that the common goal of an honorable and secure peace required the earnest pursuit of a diplomatic solution coupled with continued resolution and military firmness. They expressed the policy of their governments to sustain their efforts to meet the requirements of the struggle in all respects until peace is attained.

President Johnson reviewed the developments in the past two weeks, initiated by his decision—in consultation with the Republic of Vietnam and with the nations contributing military forces to its support—to reduce the area of bombing in North Vietnam. President Park expressed his satisfaction with these developments.

President Johnson explained in detail the current status of efforts to set a time and place for early contacts between American and North Vietnamese representatives. He reviewed with President Park the position that American representatives would take in contacts, reaffirming

¹ For text of the declaration, which is included in the foreword of a special report of the Unified Command on the armistice in Korea, see *ibid.*, Aug. 24, 1953, p. 247.

that the United States Government would continue to consult fully with the Republic of Korea and other allies concerning negotiating developments and positions to be taken on the allied side at each stage.

Looking forward to their common hope that serious talks on the substance of peace could begin in the near future, the two Presidents reaffirmed that the allied position would continue to be based on the Manila Communiqué of 1966.*

The two Presidents also reaffirmed the position stated in the Seven-Nation Foreign Ministers Meeting of April 1967"—that a settlement in Vietnam, to be enduring, must respect the wishes and aspirations of the Vietnamese people; that the Republic of Vietnam should be a full participant in any negotiations designed to bring about a settlement of the conflict; and that the allied nations which have helped to defend the Republic of Vietnam should participate in any settlement of the conflict.

ASIA AND THE PACIFIC

President Park highly commended the great role and persistent efforts of the United States to bring about freedom, peace and prosperity in Asia and the Pacific. He expressed his conviction that a continued United States presence in this region is essential to a just and lasting peace.

President Johnson expressed determination that the United States should continue its efforts for stability and security in the region, in accordance with the desires and aspirations of Asian peoples themselves.

In this regard, the two Presidents reaffirmed their commitment to the "Declaration on Peace and Progress in Asia and the Pacific"** issued at the Summit Conference in Manila in October, 1966.

CONCLUSION

President Park expressed his deep appreciation to President Johnson and to the Governor and citizens of Hawaii for the warmth of their reception and for the many courtesies extended to him during the visit.

* For text, see *ibid.*, Nov. 14, 1966, p. 730.

** For text of a communiqué issued at the close of the seven-nation meeting on Apr. 21, 1967, see *ibid.*, May 15, 1967, p. 747.

* For text, see *ibid.*, Nov. 14, 1966, p. 734.

12. Report of the United Nations Command to the United Nations concerning North Korean attacks against South Korea, Department of State Bulletin, October 3, 1968

TEXT OF REPORT

REPORT OF THE UNITED NATIONS COMMAND TO THE UNITED NATIONS

The Government of the United States, representing the United Nations Command in Korea, deems it necessary to submit this special report of the United Nations Command to call the attention of the Security Council to the recent grave and serious violations by North Korea of the Military Armistice Agreement of 27 July 1953 and subsequent agreements. Far from having made any attempt to stop serious violations since the last United Nations Command report issued on November 2, 1967, North Korea has continued to infiltrate armed agents into the Republic of Korea for the purpose of setting ambushes and performing raids in and near the demilitarized zone and engaging in subversive activities throughout the country. The most recent incidents, however, are of such magnitude as to create a grave threat to the maintenance of international peace and security.

Attempted Assassination of the President of the Republic of Korea

On 18 January of this year the North Korean regime dispatched a specially trained team of 31 agents armed with submachine guns, grenades and explosives through the demilitarized zone into the Republic of Korea with orders to attack the residence of the President of the Republic of Korea in Seoul and to assassinate President Chung-Hee Park. This team of commando-trained assassins penetrated to the very outskirts of the city of Seoul before the warnings of local citizens and the actions of the national police thwarted their attempt on the President's life. The team had reached within 800 meters of the President's residence when halted.

During their progress south through the territory of the Republic of Korea, the North Korean agents held four civilians prisoner for five hours. During this time, the North Koreans interrogated the civilians and threatened their lives and their village, should they inform the authorities of the presence of armed North Korean agents. Despite these threats, the four civilians promptly reported the encounter to the authorities of the Republic of Korea.

Through interrogation of a captured agent it was learned that the members of this team had been especially recruited from units of the North Korean army and trained for two years for missions of this type and for two weeks for this specific mission of assassination and terror. This single agent also had knowledge of 2,400 similar agents being trained in eight specialized camps throughout North Korea to deliberately attack the Republic of Korea.

On January 22 a loudspeaker broadcast by the North Koreans in the DMZ boasted that "the North Korean combat unit advanced from Kwung-Bok to Sudae-Mun. The unit killed a Korean national policeman and the Chief of Police and destroyed four military trucks . . . The combat unit escaped from Park's clique and continued their mission." However, by January 24th North Koreans had noticed their mistake and re-established their usual, improbable story that "the South Korean armed guerrillas attacked the desperately resisting enemies in Seoul."

As a result of this initial attack, and other attacks by armed aggressors from North Korea, 18 military and civilian persons were killed and 39 wounded by North Korean infiltrators, as shown by the following table of incidents and casualties:

Incidents and Casualties

	Jan. 1- 0600, Jan. 26, 1968	Oct. 18, Dec. 31, 1967
Significant Incidents,		
DMZ Area	19	22
Significant Incidents,		
Interior of ROK	22	1
Exchanges of Fire,		
DMZ Area	8	5
Exchanges of Fire,		
Interior of ROK	17	1
Casualties, North Korean		
Killed Within ROK	21	4
Casualties, North Korean		
Captured Within ROK	1	7
UNO Military Casualties,		
Killed Within ROK	11	9
UNO Military Casualties,		
Wounded Within ROK	35	15
ROK National Police		
and Other Civilians		
Killed Within ROK	7	0
ROK National Police		
and Other Civilians		
Wounded Within ROK	4	0

The above figures, taken together with those contained in the last Report of the United Nations Command issued November 2, 1967, show that in the entire year 1967 North Korea caused 566 significant incidents in which 153 individuals were killed by North Korean infiltrators.

Conclusions

The fact that this type of "porous war" has been planned and directed from the highest level of the North Korean regime has been illustrated on many occasions by constant reference to these aggressive policies by leaders of the regime. The most recent, and blatantly open statement of this intentional aggression was in the December 18, 1967 speech by the regime Premier, Il-Sung Kim, who said "the northern half of the Republic is the revolutionary base for accomplishing the cause of national liberation on a nationwide scale" and who expects his people to "accomplish the revolutionary cause of unification of the country at all costs."

When the United Nations Command, in an attempt to negotiate this serious problem as prescribed by the Military Armistice Agreement and to restore peace and security to the area, raised the issue at the 261st meeting of the Military Armistice Commission on January 24, 1968, the Representative of the North Korean side refused to address the incident in a serious and responsible manner. Concrete evidence, including a filmed interview of the captured North Korean agent and large quantities of North Korean arms and munitions, was dismissed by the Representative of North Korea who claimed the attack on Seoul was perpetrated by South Korean citizens. In actual fact, the success of defensive measures taken by the Government of the Republic of Korea was in large part due to the wholehearted cooperation and participation of private South Korean citizens. This report clearly shows that North Korea is carrying out a program in deliberate violation of the Armistice Agreement. The North Koreans have continued to refuse to cooperate in using the machinery established by the Armistice Agreement for the purpose of supervising the Armistice Agreement, making efforts to effect redress through this machinery so far futile.

13. Senator Mansfield's remarks on "President Nixon's Trip Abroad," Congressional Record, July 28, 1969, pp. S8636-S8640

PRESIDENT NIXON'S TRIP ABROAD

Mr. MANSFIELD. Mr. President, I have had the opportunity to read the excerpts from the unofficial account of President Nixon's meeting with reporters in Guam as published in the New York Times on Saturday, July 26, 1969. I must say that this unofficial account, allied with the evangelistic fervor the President displayed in explaining the purposes of his trip to Asia and Europe to the joint leadership last Tuesday, gave me cause for hope and good prospects for the future of our foreign policy in Asia. What the President is seeking to achieve, I believe, is time to reassess U.S. foreign policy, to do so on a long-range basis, and not to become captive to the shifts and turns of the moment.

The President is moving with caution and consideration but also with a sense of reality based on the changes which have occurred on this globe. He is not advocating isolationism, nor is he advocating the abandonment of Asia.

In his candid statements, both in this country and in Guam, he has emphasized that the United States is a Pacific power with peripheral interests on the Asian mainland.

The first two steps on the journey of understanding were in the Philippines and Indonesia, two nations which are primarily Pacific powers but with greater interests on the Asian mainland than the United States. What the President has done, in short, is to signal the less likelihood of American participation in wars on the Asian mainland in the future. The President has also encouraged the Asian nations to depend more on themselves in both internal security and military defense which, to me, seems to be a sound long-range policy. In short, what the President has stated broadly and plainly is continued support for the nations of Asia but with greater Asian participation and responsibility.

He has outlined a lessening in military aid programs and a greater emphasis on economic cooperation. His intent, I believe, is to avoid future Vietnams but, at the same time, to render what assistance is feasible and possible to the nations of Asia so that they can achieve economic and political stability and thereby be able to look after their own interests in a more strengthened fashion. The key words in our relations with these countries would be equality, understanding, and mutual cooperation. U.S. influence in the Pacific would be, if

I understand the President's remarks correctly, one of balance throughout the area and not of primary responsibility, except in our own territorial areas. Perhaps the President's position—and he speaks for all of us—can best be stated in the remarks he made in Manila on July 28, when he said:

The United States will play its part and provide its fair share, but peace in Asia cannot come from the United States. It must come from Asia. The people of Asia, the governments of Asia, they are the ones who must lead the way to peace in Asia.

The President has been candid and forthright in recognizing that changes have occurred in the world, that old line policies may well have lost their effectiveness, and that as the world changes, we must change with it.

On his trip the President is visiting old friends and renewing visits to countries which he has visited many times before. We wish him well on his visits to Thailand, India, Pakistan, and Romania; and we want him to know that he has our full support on the basis of what he has said in Guam and restated in the Philippines and Indonesia.

We are very pleased with the turnouts which have come out to greet him as the Chief of State of this Nation, and we look forward with anticipation to his report to the American people on his return.

Mr. President, I ask unanimous consent that the article previously referred to be printed at this point in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 26, 1969]
EXCERPTS FROM UNOFFICIAL ACCOUNT OF PRESIDENT NIXON'S MEETING WITH REPORTERS

(NOTE.—Excerpts from an unofficial account of President Nixon's informal news conference today during his stopover on Guam. Mr. Nixon spoke for publication but stipulated that he not be quoted directly.)

MANILA, July 25.—The President said he had seen some speculation about changes in his itinerary and added that he had no present plans to go to Vietnam. But, he said, Ambassador Ellsworth Bunker will be coming to Bangkok along with the ambassadors from the other Asian countries that he will not be visiting, and he intends to have a conversation with him there, which will be apart from the conversation he will have with the other ambassadors.

There is also a possibility that Gen. Creighton W. Abrams will be able to go with the Ambassador Bunker to Bangkok for that meeting, Mr. Nixon said.

Now, insofar as this phase of the trip was concerned, and he said he would speak first to the Asian phase and then later and briefly to the Runanian phase, he thought that the backgrounders and the general statements that have been made from the State Department had covered it pretty well. He thought what would be of greatest interest before questions is to give the perspective that he has with regard to Asia and America's role in Asia.

VISIT OF 1953 NOTED

He said his background here goes back a few years. It was in 1953 that he first visited this area. That trip was very, very extensive, with the usual four days in each country, a so-called state visit in each country. It provided an opportunity to meet the leaders, but more than that to know the countries in a very effective way.

In the 16 years that have passed, however, since that time, the changes have been very dramatic. He has returned to Asia on a number of occasions since then, and particularly to the countries that he will be visiting on this trip. Consequently, he has kept up with later developments and also, with the exception of President Agha Mohammed Yahya Khan in Pakistan, he knows each of the Asian leaders that he will be meeting and will be able to speak to them from that background.

Insofar as the general purpose of a trip like this is concerned, the President said he can understand some of the speculation to the effect that "why does a President of the United States think he learns anything by spending one day each in an Asian country?" Or, for that matter, as he did earlier, in a European country.

The answer is, and he might indicate what will be his general policy for the balance of his service in the White House, that he thinks a one-day trip is just as valuable as four days. In other words, if you take a one-day trip, and concentrate, as he does, on very little protocol, and a great deal of face-to-face conversation, an individual, in meeting the leader of the other country, will gain as much as if he stretched it out over a period of four days. He has been through both experience and, therefore, is somewhat knowledgeable in that respect, Mr. Nixon said.

SHORT PERIOD OF TIME

He feels, too, that when one considers the time that is available to a President in these periods, it is essential in order to cover all the ground that needs to be covered to limit, first, the amount of travel and the amount of time that is taken for each one of the stops. He mentioned that only as some of the reasoning that has gone into his decision with regard to covering a great deal of ground in a very short period of time: In this case, going around the world and, in the space of about eight days, after the moon shot, covering a number of countries.

Now, insofar as the individuals are concerned, having met all of these leaders previously, Mr. Nixon supposed the question could be raised, and with good reason, that once you know a leader, the contact with

ambassadors would be sufficient. However, he has found in previous travels in Asia and in Europe as well, that as the situations change, it is vitally important to have a renewed contact with the leader in each of the countries involved, a renewed contact because his attitudes may change and in that way when the President reads, as he reads day after day, the cables that come in from all over the world, he can have a much better understanding of what those cables mean—the nuances—if he has more recently had a direct contact, face-to-face with the individual involved, the individual leader involved.

That is one of the reasons why he is a great believer in visits of this sort, where they are consistent with and can be taken at a time that will fit in with other very demanding parts of his schedule.

Now, a word about what is a very consuming interest in Asia, the President continued, a consuming interest because it is one he has had for a number of years, and, one that now, as he looks at the perspective of history, is even more imperative.

ROLE IN ASIA

The United States is going to be facing, he hoped before too long—no one can say how long, but before too long—a major decision. What will be its role in Asia and in the Pacific after the end of the war in Vietnam? We will be facing that decision, but also the Asian nations will be wondering about what that decision is, Mr. Nixon said.

When he talked to Prime Minister John G. Gorton, for example, he indicated that in the conversations he had with a number of Asian leaders, they all wondered whether the United States, because of its frustration over the war in Vietnam, because of its earlier frustration over the war in Korea—whether the United States would continue to play a significant role in Asia or whether the United States, like the French before, and then the British, and, of course, the Dutch—whether it would withdraw from the Pacific and play a minor role.

This is a decision that will have to be made, of course, as the war comes to an end. But the time to develop the thinking that will go into that decision is now. Mr. Nixon said he thinks that one of the weaknesses in American foreign policy is that too often we react rather precipitously to events as they occur. We fail to have the perspective and the long range view that is essential for a policy that will be viable.

As he sees it, even though the war in Vietnam has been, as we all know, a terribly frustrating one, and, as a result of that frustration, even though there would be a tendency for many Americans to say, "After we are through with that, let's not become involved in Asia," he is convinced that the way to avoid becoming involved in another war in Asia is for the United States to continue to play a significant role, the President said.

UNITED STATES A PACIFIC POWER

He said that whether we like it or not, geography makes us a Pacific power and when we consider, for example, that Indonesia and its closest point is only 14 miles from the Philippines, when we consider that

Guam, where he was presently standing, of course, is in the heart of Asia, when we consider the interests of the whole Pacific as they relate to Alaska and Hawaii, we can all realize this.

Also, as we look over the historical perspective, while World War II began in Europe, for the United States it began in the Pacific. It came from Asia. The Korean War came from Asia. The Vietnamese war came from Asia.

So, as we consider our past history, Mr. Nixon said, the United States involvement in war so often has been tied to Pacific policy or lack of Pacific policy, as the case might be.

As we look at Asia today, the President observed, we see that the major world power that adopts a very aggressive attitude and a belligerent attitude in its foreign policy, Communist China, of course, is in Asia, and we find that the two minor powers—minor although they do have significant strength as we have learned—that most greatly threaten the peace of the world, that adopt the most belligerent foreign policy, are in Asia—North Korea and, of course, North Vietnam.

When we consider those factors, we realize that if we are thinking down the road, down the long road—not just four years or five years, but 10, 15 or 20—that if we are going to have peace in the world, that potentially the greatest threat to that peace will be in the Pacific, the President said.

OTHER THREATS TO PEACE

He did not mean to suggest that the Middle East is not a potential threat to the peace of the world and that there are not problems in Latin America that concern us, or in Africa and, of course, over it all, we see the great potential conflict between the United States and the Soviet Union, the East-West conflict between the two superpowers.

But as far as those other areas are concerned, he said, the possibility of finding some kind of solution is potentially greater than it was in the Asian area.

Pursuing that line of reasoning a bit further, he said he would like to put it in a more positive sense: When he looked at the problems in Asia, he said the threat to peace presented by the growing power of Communist China, the belligerence of North Korea and North Vietnam, should not obscure the great promise that was here.

Mr. Nixon declared that the fastest rate of growth in the world is occurring in non-Communist Asia, Japan, in the last ten years, had tripled its G.N.P., South Korea had doubled its G.N.P., Taiwan had doubled its G.N.P., Thailand had doubled its G.N.P. The same was true of Singapore and of Malaysia.

The record in some of the other countries was not as impressive. But consider the Philippines, he said. The Philippines in 1953 was a major importer of rice. Today, as a result of miracle rice, it no longer had to import it. Some progress was being made in areas like that.

INDIA AND PAKISTAN CITED

The President mentioned India and Pakistan and the terribly difficult and traumatic

experience they have had. Because of their conflict with each other, more than with the problems they have had from the outside, that picture tends to be rather black.

But India's rate of growth as a result of two good crop years, and a reasonably good one this year, has been at 6 per cent, he said.

As far as Pakistan is concerned, Mr. Nixon said, they are emphasizing growth in manufacturing. They are growing at the rate of 10 per cent per year in manufacturing and from 1965 to 1970, their agricultural production will go up 21 per cent.

The poverty in these two countries, he said, strikes one with tremendous impact. But having seen what it was in 1953 and seeing what it was again in 1957, the amount of progress that has taken place, even in these countries where the rate has not been as high as others, was a very, very formidable thing to see, he asserted.

ASIA'S THREAT AND HOPE

So, what he is trying to suggest is this. The President said: Look at Asia. It poses, in his view, over the long haul, looking down to the end of the century, the greatest threat to peace of the world, and, for that reason, the United States should continue to play a significant role.

It also poses, he said, the greatest hope for progress in the world because of the ability, the resources, the ability of the people, the resources physically that are available in this part of the world, and for these reasons, we need policies that will see that we play a part and a part that is appropriate to the condition that we will find.

One other point he made very briefly was that in terms of this situation we must recognize that there are two great new factors which you will see, incidentally, particularly, when you arrive in the Philippines—something you will see there that we didn't see in 1953, to show you how quickly things change—a very great growth of nationalism, nationalism even in the Philippines, vis-a-vis the United States, as well as other countries in the world. And, also, at the same time that national pride is becoming a major factor, regional pride is becoming a major factor.

The second factor, he went on, is one that is going to have a major impact on the future of Asia, and it is something that we must take into account. Asians will say in every country that we visit that they do not want to be dictated from the outside. Asia for Asians. And that is what we want and that is the role we should play. We should assist it, but we should not dictate.

At this time, he said, the political and economic plans that they are gradually developing are very hopeful, we will give assistance to those plans. We, of course, will keep the treaty commitments we have.

VISIT TO RUMANIA

But as far as our role is concerned, he said we must avoid that kind of policy that will make countries in Asia so dependent upon us that we are dragged into conflicts such as the one that we have in Vietnam.

This is going to be a difficult line to follow. It is one, however, that he thinks, with proper planning, we can develop, he went on.

He said he would just answer some of the speculation about Rumania by pointing out that this trip to Rumania is not directed toward the Chinese or toward the Russians, but toward the Rumanians, Mr. Nixon said.

He said he did not believe that the President of the United States should be able to accept an invitation to visit a Western European country, but should automatically have to decline an invitation to visit an Eastern European country.

Mr. Nixon said that this was an era of negotiation rather than confrontation. It would be more difficult, of course, to develop the communication with Eastern European Communist countries than with Western European countries, but he thought it was time that a beginning be made.

He said he would have discussions of bilateral issues with President Nicolae Ceausescu, the problems of Europe, East-West relations.

But this trip under no circumstances, he said, should be interpreted as an affront to the Soviet Union or as a move toward China.

The President said he hoped that if the trip worked out it would set the stage for more openings of this type with countries in Eastern Europe where it would be mutually beneficial to the United States and the other countries involved.

The President was asked, on the question of United States military relationships in Asia, a hypothetical question: If a leader of one of the countries with which we have had close military relationships, either through SEATO or in Vietnam, should say, "Well, you are pulling out of Vietnam with your troops. We can read the newspapers. How can we know you will remain to play a significant role as you say you wish to do in the security arrangements in Europe? What kind of approach would he take to that question?

The President replied that he had indicated that the answer to that question was not an easy one—not easy because we would be greatly tempted when that question is put to us to indicate that if any nation desires the assistance of the United States militarily in order to meet an internal or external threat we will provide it.

ON COMMITMENTS, TWO POINTS

However, he said he believed that the time had come when the United States, in its relations with all of its Asian friends, should be quite emphatic on two points: one that we would keep our treaty commitments; our treaty commitments, for example, with Thailand under SEATO. And, two, that as far as the problems of international security are concerned as far as the problems of military defense, except for the threat of a major power involving nuclear weapons, that the United States was going to encourage and had a right to expect that this problem would be increasingly handled by, and the responsibility for it taken by, the Asian nations themselves.

He said he believed, from his preliminary conversations with several Asian leaders over the last few months, that they were going to be willing to undertake this responsibil-

ity. He said it would not be easy. But if the United States just continued down the road of responding to requests for assistance, of assuming the primary responsibility for defending these countries when they have international problems or external problems, they were never going to take care of themselves.

He added that, when he talked about collective security for Asia, he realized that at this time it looks like a weak reed. It actually was. But looking down the road—he said he was speaking now of five years from now, 10 years from now—he thought collective security, insofar as it deals with internal threats to any one of the countries, or insofar as it deals with a threat other than that posed by a nuclear power, was an objective that free Asian nations could see and which the United States should support.

The President was asked whether, when speaking of internal threats, he included threats internally assisted by a country from the outside, such as we have in Vietnam?

INTERNAL THREAT IN THAILAND

The President replied, that generally speaking, it was the kind of internal threat that we do have in the Asian countries. For example, in Thailand the threat was one that was indigenous to a certain extent to the northeast and the north, but that would not be too serious if it were not getting the assistance that it was from the outside. The same was true in several of the other Asian countries, he said.

The President was reminded of his hope that his meetings in Rumania would open the way to other meetings involving Eastern Europe. Was it his hope that he would eventually be invited to Moscow to talk with the Russians, perhaps within the next six months or so?

The President replied that as far as any meeting with the Soviet Union was concerned, summit meeting, he had stated his position previously. He thought it would be well to restate it.

He did not believe that any summit meeting with the Soviet Union was useful unless a subject of major interest to both powers was to be discussed with some promise of finding a solution or at least making progress on that particular problem.

He said he believed, for example, as he looked over the history of summitry with the Soviet Union, that while, in all administrations, we had had the best of intentions, summitry had not been particularly helpful. He said this with regard to the spirit of Geneva, the spirit of Camp David, the spirit of Vienna and the spirit of Glassboro.

MEETINGS WITH SOVIET UNION

He felt that where the Soviet Union was concerned, for example today, there were three major areas where a summit meeting could be useful. If, for example, the time had come when we could make a breakthrough in the Mideast, and a summit meeting with the Soviet Union would play a significant part, he thought that could be considered.

The second area, Mr. Nixon said, is in the field of arms control. He said he had a

long discussion with Mr. Smith just few days ago, just before leaving, the day before leaving. As far as arms controls are concerned, at this time, the place and the forum in which the discussion should take place is at the ambassador level. There may come a time when a summit meeting may be the device that will make the breakthrough that we need to make in arms control.

Then at the top of the list he placed the problem of Vietnam where, if a summit meeting would serve a useful purpose insofar as Vietnam is concerned, naturally we would welcome that opportunity. That poses, however, Mr. Nixon said, a very significant problem because, whether the Soviet Union can be of assistance in Vietnam is somewhat dependent on its evaluation of whether such assistance should be so publicly provided as a summit, of course, would indicate.

The President was asked, as a background to his thinking on Vietnam, even though it is not to be a major subject of discussion, whether he could tell what sort of reports he had received from Gen. Earle G. Wheeler about the prospects for additional replacement of American troops, and on the question of whether the fighting had eased to the point where we can make some de-escalation move ourselves.

The President replied that he would rather not comment on that at this time. If, after his conversations with Ambassador Bunker and possibly with General Abrams, he feels that some comment would be appropriate, he will make it then. But he should correct one impression that he should not have left, and that is that Vietnam will not be a major topic for discussion. In each of the Asian countries he is going to raise with the Asian leaders the question of the extent to which they would be willing to participate in the international supervisory bodies for elections in South Vietnam and for the policing of ceasefires, provided we are able to get any kind of acceptance on the part of the North Vietnamese and the Vietcong on his proposal of May 14.

He believes, for example, Mr. Nixon said, that the international supervisory bodies, which Mr. Thieu has also agreed to, should primarily be made up of and come from Asian nations and the Asian nations that he visits will all be interested in this subject. He wants to get their views on that.

ISSUE OF WITHDRAWAL

The President was asked whether he anticipates in that connection that during his talks with the Asian leaders he is going to have to spend any significant amount of time perhaps convincing them that his plan for withdrawal of American forces from Vietnam will pose no threat to their security.

The President replied that one of the reasons for this trip is to leave no doubt in the minds of the leaders of non-Communist Asia that the United States is committed to a policy in the Pacific—a policy not of intervention but one that certainly rules out withdrawal, and regardless of what happens in Vietnam that we intend to continue to play a role in Asia to the extent that Asian nations, bilaterally and collectively, desire us to play a role.

He said he thought that some reassurance was needed because Vietnam is on the minds of all the Asian leaders. He believes, incidentally, that he will not have difficulty in providing that reassurance because, from the report that he did get from General Wheeler, he was told that the troop withdrawals have been accepted by the Thieu government and by the military in South Vietnam with not only very good grace, but that they have responded very effectively in meeting their own requirements, in handling their own defense. He thinks that he can give some reassuring comments to those Asian leaders who might raise the question, Mr. Nixon said.

DECLINES TO SPECULATE

The President was reminded that he mentioned that he felt that perhaps five years or ten years from now the Asian nations could collectively take care of their regional security problems. What is our policy to be in the meantime, he was asked, if a Vietnam type situation does occur?

The President replied that he would rather not speculate about one occurring. Each of these countries poses an entirely different question. He would simply say we are going to handle each country on a case-by-case basis.

But attempting to avoid that creeping involvement that eventually simply submerges you, he knows that we can learn from past experience and we must avoid that kind of involvement in the future.

The President said he could put it this way: he recalled in 1964 some advice that he got from Mohammad Ayub Khan, who was then the President of Pakistan. This was before the United States had any significant troop commitment in Vietnam. Mr. Nixon asked him what his view was as to what our role should be. He said: "Well, the role of the United States in Vietnam or the Philippines, or Thailand or any of these countries which have internal subversion, is to help them fight the war but not fight the war for them." That, of course, is a good general principle, one which we would hope would be our policy generally throughout the world, the President said.

The President was reminded that the last time he met with reporters he mentioned that it was his hope that we might be able to withdraw all our combat troops, ground combat troops, in South Vietnam by the end of next year. In the light of that, he was asked if he had any plans for withdrawing the troops that we now have, or some percentage of them, from Thailand, and could he tell what he is going to tell the Thais about that?

WILL TELL THAIS FIRST

The President replied that he would tell the Thais first. But it is, of course, a proper question, he said.

He is reviewing not only our civilian personnel abroad, where he announced a cut a few weeks ago, but our military personnel abroad, including Thailand.

This is a matter, however, which will be discussed with the Thais, but it would not be appropriate to make any announcement

as to what we were going to do until we have discussed it.

The President was asked whether in looking at the situation in post-Vietnam, and in countries other than Vietnam, it seemed to him that in terms of our military strength, the military men that we put into these other countries to help them, or military assistance or economic assistance, that in Asia, generally, we would have more or less of this type of assistance and aid in the years down the road than we have now.

The President replied less, if he got the question correctly, would there be more or less of military type of assistance?

He was asked about both in military and nonmilitary, since there are really two parts to this assistance problem, the economic part and the military part. Did he see us having a greater expenditure and a greater involvement in those respects or a lessened involvement as we look down the road?

The President replied that the military involvement, the military assistance, the military aid program and the rest, and particularly the commitments of military personnel, that that type of program would recede.

ECONOMIC AID STRESSED

However, as far as economic programs are concerned, and particularly those of a multilateral character—and here he had some new ideas that he will be expanding on in the months ahead—he would say that the level of United States activity would be adequate to meet the challenge as it develops, because it is very much in our interest in terms of economic assistance, economic assistance through loans and other programs, to help build the economies of free Asia, Mr. Nixon said.

For example, the President pointed to what has happened to South Korea, what has happened to Taiwan, what has happened to Thailand, what has happened to Japan. All of them now, or virtually all, are on their own feet, at least from an economic standpoint and are very good customers of ours.

PACT WITH THAILAND

The President was asked about quite a bit of speculation in the papers lately—both here and in Washington and in Thailand—as to whether or not there exists some sort of secret defense arrangement between the United States and Thailand.

Could he shed any light on the existence or nonexistence of such a thing and whether we have any similar arrangements with any other countries that might commit us beyond what his hopes might be?

The President replied that there is no secret defense agreement with Thailand. We, of course, have the SEATO treaty. We will keep our commitments under that treaty. We had the Rusk-Thanat communiqué, which simply spelled out the treaty.

We will, of course, keep our commitments set forth there as well, Mr. Nixon said.

But as far as any secret commitments are concerned, we not only have none in any of these nations, he will make none—and incidentally, he told Senator J. W. Fulbright that the other day, too.

The President was asked to give an evaluation of Red China's economic-political

capability of inspiring further wars of liberation in the Asian nations. Are they able to continue that?

The President replied that Red China's capacity in this respect is much less than it was five years ago, even ten years ago. Because of its internal problems, Red China is not nearly as effective in exporting revolution as it was then. He thinks a pretty good indication of that is the minimal role that Red China is playing in Vietnam as compared with the Soviet Union, the President remarked.

Three years ago, Red China was furnishing over 50 per cent of the military equipment, the hardware, for the North Vietnamese. Now it is approximately 80-20 the other way around, he said.

PROBLEMS WITHIN CHINA

There may be other reasons for that coming about, and part of it is that Red China has enough problems within.

Another point he would make in that respect that bears on this: How things have changed since 1953, in country after country that he visited—and he was in every one that we are visiting here and all the others as well. The ones that Secretary William F. Rogers is going to visit on his trip—among most of the intellectual leaders and among many Government leaders, there was a real question as to what was the best path for progress, a question as to whether Communism, as it was developing in Red China, a Communist system was a better way to progress or whether a non-Communist system was the better way.

Now, Mr. Nixon said, one of the significant developments that has occurred over these last 16 years, with all the bad things that have occurred, including the war in Vietnam, has been that that situation has reversed itself. The appeal of the Communist philosophy, for example, in Pakistan, in India, in Indonesia, in Japan, in any one of these countries, is less today than it was 16 years ago, 10 years ago, 5 years ago.

On the other hand, he would like to say that the effectiveness of subversive activities in many of these countries has not abated to the same extent. It can be on the upsurge. But as we look at the whole of Asia today, it is significant to note that what we have going for us more than anything else is this enormous rate of growth in non-Communist Asia as compared to Communist Asia. You compare Hong Kong with Communist China, you compare Taiwan with Communist China, you look at Japan with 100 million people, with a greater G.N.P. than China with 700 million people. Looking clear around the perimeter, from Japan through India, we find that free Asia's record of growth is a very significant factor in affecting the thinking of those who have to make the determination as to which path they are going to take, Mr. Nixon said.

NO MORE VIETNAMS?

The President was asked, when he said that the United States was going to continue to play a major role in Asia and that this was one message that he intended to take with him on this trip, whether another message was that there would be no more Vietnams.

The President replied that certainly the objective of any American administration would be to avoid another war like Vietnam any place in the world. He recalled he had said it and so had his opponent, Mr. Humphrey, during the campaign—that we should develop a policy that would avoid other Vietnams.

Mr. Nixon said it was very easy to say that. But he said that to develop the policies to avoid that was taking an enormous amount of his time and that of his associates.

But what he said he could do was to learn from the mistakes of the past. He believed that we have, if we examine what happened in Vietnam, how we became so deeply involved—that we have a good chance of avoiding that kind of involvement in the future, he said.

TROOP WITHDRAWALS DISCUSSED

Mr. Nixon was asked whether he intended to make it clear to the Asian leaders that if the lull in Vietnam continues, he would announce a substantial withdrawal of United States forces in August.

The President replied that he would not make any announcement, and no decision on, troop withdrawals on this trip, and, of course, he would not make any disclosures of plans in that respect to Asian leaders prior to the time that he had discussed it with the government of South Vietnam and then made the announcement jointly.

That is one of the matters, he said, that he still had under study, under consideration, that he would be discussing with Ambassador P'unker, that he did discuss with General Wheeler and that he might discuss with General Abrams.

TACTICS IN VIETNAM

The President was asked whether there is also a pending question as to whether his administration will change its policy of maintaining maximum military pressure on the enemy in Vietnam?

The President replied that he had been re-examining, since the time his administration came into office, our military tactics in Vietnam, and one of the subjects that he has discussed at great length with General Wheeler and General Abrams has been the character of our commitment and the tactics that should be used. He defers, naturally, to military men as to the conduct of a war because they are more expert than he is in this field, he said.

However, when we are in the process of negotiations, then military tactics become part of the negotiations and, therefore, we are re-evaluating our tactics in Vietnam, having in mind the fact that we have a parallel action going along in the negotiating field, the President said.

If we have any changes in this respect, he will, of course, announce them, he added.

14. President Nixon and President Park of the Republic of Korea Hold Talks at San Francisco August 21-22, Department of State Bulletin, September 15, 1969

President Park Chung Hee of the Republic of Korea made an official visit to the United States August 20-24 and met with President Nixon at San Francisco, Calif., August 21-22. Following are a welcoming statement by President Nixon issued at San Clemente, Calif., on August 21 and remarks exchanged by President Nixon and President Park at an arrival ceremony at San Francisco August 21, at a state dinner at the St. Francis Hotel that evening, and at the close of their meeting on August 22, together with a joint statement released on August 22.

ARRIVAL CEREMONY, AUGUST 21

Statement by President Nixon¹

It is a great pleasure to welcome President and Mrs. Park to this country, to this State, and to this city. This is my first opportunity as President to officially receive a visiting head of state on the soil of my home State of California. It is appropriate that the head of a great Asian country should be the guest on this occasion, for California has a long history of looking toward Asia. In fact, Americans have long regarded the city of San Francisco as their "gateway to the Orient."

Through this gateway this morning comes the leader of one of the most successful national economies in Asia. In the last 8 years Korea has experienced unprecedented economic growth, and she has done so under extremely difficult conditions.

I know something of those difficult conditions. I visited Korea at the end of the war in

1953. I remember the bitter poverty I saw at that time, the desolation which the war had left, the fact that 25 percent of the South Korean people were homeless. I remember the questions that were raised. How can this economy flourish? some asked, pointing out that most of the factories and the mines and the powerplants were in the North, though most of the people were in South Korea. But the South Koreans knew what they had to do—and they did it!

And I know, too, that as the Koreans have fought their way uphill toward prosperity since 1953, they have also faced other problems. Because of the threat in the North, they have had to maintain a large standing army—the fifth largest on earth and the third largest in the free world. That is a crushing burden for any developing nation to bear.

As the South Koreans have become more and more successful, they have had to bear an added burden: a deliberate campaign of military provocations from North Korea, designed to intimidate the people, shake their institutions, and halt their progress.

And yet, these outlaw activities by the North Koreans, like their invasion of the South back in 1950, have actually helped to prove just how strong and how courageous are the South Koreans. The people have not been intimidated. The institutions have not been shaken. The progress has not been halted.

I also know something about the economic success of your country, Mr. President, for I saw evidence of it on every hand when I visited Korea in 1966. I sensed a great new spirit soaring through Korea, a spirit of pride and a sense of determination. It was the spirit of mature self-confidence one sees in men who have battled against great obstacles and overcome them.

I know that my next trip to Korea will be more exciting still. For in the last 2 years this record of progress has been continued. I have received some very favorable reports on that

¹ Issued at San Clemente, Calif., on Aug. 21 (White House press release). The release included the following notation: "The President will cover the substance of this statement in extemporaneous remarks on arrival. He stands by all the statements in this text."

progress—from Secretary of State Rogers, who was in your country a few weeks ago; from Deputy Secretary of Defense Packard, who visited there in June; and from a delegation of Korean legislators who recently visited me in Washington. I noted that, for example, the gross national product of South Korea, which had been growing at 8 percent a year, actually went up by 13 percent last year. Manufacturing has been rising by 25 percent a year; annual exports are climbing by 40 percent. And I understand that the goals you have set for this year and next year are considerably higher. Yours is one of the few countries where farm production is growing faster than population growth, and this, too, is a vital accomplishment.

The American people congratulate you on your successes. If our economic aid has played some role in making success possible, then we are gratified. But we recognize that the most important ingredients have come from Koreans themselves. We note, too, that the Koreans have not regarded outside aid as a means of ongoing support but rather as a first step toward self-sustaining prosperity. As a result, they have been among the most active nations in the world in attracting private capital investment, including American investment, to their economy. They have rapidly expanded foreign trade, including trade with the United States. They have made active use of new sources of funding such as the International Bank for Reconstruction and Development, the Export-Import Bank, and the Asian Development Bank. This flexible and active posture has worked to the benefit of the Korean people.

This record of success in the midst of danger is one which the American people find particularly impressive and inspiring. I would emphasize that point. And the reason that your success is so well known and so widely admired in this country lies, I believe, in the special quality of our relationship with the South Koreans. After all, American soldiers and Korean soldiers, thousands upon thousands of them, fought and died side by side in battle almost 20 years ago. We came through that enormous trial together—and we have stayed together during the long years when the fighting had ended but the state of hostility had not.

Having won the peace together, we have worked together to maintain that peace. To-

gether we have stood guard along the Korean border for 16 years. Together we have resisted harassment from the North during the last 2 years. Together we have discovered that the danger from the North has only stiffened our resolve. And we know that we cannot be shaken, that we will not be intimidated, should there ever be any renewal of such activity.

And we stand together now in Viet-Nam. In fact, after the Vietnamese themselves and the Americans, there are more soldiers from Korea in Viet-Nam than from any other country. The two Korean divisions, the Tiger Division and the White Hope Division, have earned an outstanding reputation. They have won the respect and admiration of all who know their record. They have brought great honor to the Korean people.

As a result of all these factors, the shared successes and the shared risks, a special feeling has grown up between our people. There is a sense that each of us has a stake in the other's well-being; we care about one another, and we feel a sense of responsibility toward one another.

What joins us, then, is what President Park described on an earlier visit to this country as "a bridge of friendship and faith." That puts it very well. I look forward to our talks on this occasion, for I regard them as a means of making that bridge even stronger and more secure so that our realm of shared experience can become even greater in the months and years ahead.

Exchange of Remarks

White House press release (Crissy Field, San Francisco, Calif.)
dated August 21

President Nixon

Mr. President: It is a very great honor for me to welcome you and Mrs. Park and the members of your party to the United States of America.

And it is particularly significant that you are being welcomed in the State of California and in the city of San Francisco. I am proud that, as President of the United States, the first welcome to a head of state outside of Washington, D.C., is in my home State of California for the President of Korea.

It is particularly appropriate that this should be so; because California looks to the Pacific, and San Francisco for over 100 years has been

known as the Gateway to the Orient. But your visit to our country has significance far beyond these historical and geographical considerations.

It was 16 years ago that the war, in which Americans fought side by side with Republic of Korea soldiers, came to an end. I visited Korea in the winter of 1953, and I saw there a country where 25 percent of the people were homeless and where many outside observers thought that the people of Korea could never come back.

But in these 16 years we have seen a remarkable progress which has excited the admiration and respect of the people of the United States and all the people of the world.

The Republic of Korea maintains armed forces that are strong enough to assume the major share of the responsibility for defending Korea against the threat from the North.

And we are also keenly aware of the fact that the Republic of Korea, next to the United States of America, furnishes more men fighting in South Viet-Nam than any other nation, except for the South Vietnamese themselves.

We are grateful for the sacrifices that are made there by the 50,000 men from South Korea. But we also have tremendous respect for the fact that, despite the military burdens that the Republic of Korea must bear, economic progress moved forward at a dimension no one thought was possible.

The Republic of Korea has received aid from the United States of America; but the people of Korea are determined that they will stand on their own feet, and their economy has moved forward to the point where they can look to the day where they will be able to stand on their feet without outside aid.

And so, Mr. President, because of this record, because of our association together in war, because of our working together in peace, and because the people of the Republic of Korea have demonstrated a spirit, a courage, in war and peace which has brought admiration from our people and people throughout the world, we welcome you especially with a warm heart on this very beautiful day in San Francisco. We are proud to have stood together with a strong, self-reliant people in the past, and we shall be proud to stand together with you and the people in the future.

President Park

On behalf of the Government and the people of the Republic of Korea, I wish to express my deep appreciation to President and Mrs. Nixon for the kind invitation extended to Mrs. Park and me. I would also like to thank the Mayor and the citizens of this beautiful city of San Francisco for their warm welcome. And I have particular pleasure in again visiting this great country which has so recently succeeded in placing the first men on the moon.

I think it very significant that our meetings will take place in the city of San Francisco, the birthplace of the United Nations, a city which has knitted a special relationship with Asia and the Pacific, a city which has developed such close historical ties with Korea as to be mentioned frequently in the history of our independence movement.

Mr. President, I am pleased to say that we are in accord with the Asian policy which you have recently put forth. I am sure the meetings here will provide us with an excellent opportunity for a full exchange of views concerning Korea and Viet-Nam, both of which remain under constant Communist threat, and also concerning problems of Asia and the Pacific as a whole.

Citizens of the United States who are here to welcome us, I wish to take this opportunity to convey the deep appreciation of the Korean people to you for the genuine friendship and unsparing support which you have extended to the Korean people in our efforts to defend ourselves and to achieve economic reconstruction of our homeland, the Republic of Korea.

Thank you.

EXCHANGE OF TOASTS

White House press release (San Francisco, Calif.) dated August 21

President Nixon

I would like to speak, not simply in my capacity as head of state and head of government officially welcoming another head of state and head of government, whose friendship we value, but I would like to speak from the hearts of all of the American people to the people of Korea.

And I would like to tell this audience what

Korea means, what it means to me, what I think it means to America and to the world.

Korea, first, is a land much like California, a thousand miles of mountains and rivers and valleys. Korea is a land which is very varied in its climate and in its physical conditions.

Korea, to many in the United States, means a war, a war that was difficult, a war that cost casualties, a war that was controversial. But we should think of Korea tonight in a different sense because, as President Park has often reminded us each time he comes to the United States, he speaks of a different Korea.

Korea today should mean to America and to the world these things: One, it means courage. In all of the world—and I have been to most of the countries in the world—there are no people more courageous than the people of Korea.

They proved their courage fighting for their own freedom in a war that ended 16 years ago. They are proving it by fighting alongside the persons of the United States and those of South Viet-Nam and other countries in the war in Viet-Nam, with 50,000 Koreans there. And they prove it by maintaining one of the largest armed forces in the world in defense of the threat which is posed against them in the North.

And this kind of courage Americans admire. Korea means courage, therefore, to us.

Korea also means friendship and alliance in the deepest sense, not the friendship and alliance simply of words but the friendship and alliance which goes beyond that and which involves cooperation not just in a war in Viet-Nam, but in building the new collective arrangements in Asia which are so important to peace in the Pacific.

And as all of the people in this audience, particularly in this audience, particularly from California, will realize, peace in the Pacific is essential if we are going to have peace in the world. Because we must remember that the wars that we have been engaged in in the last quarter of a century on three occasions came from the Pacific.

But, finally, Korea today means something else that we need to be reminded of. It means self-reliance. It means self-respect. It means independence. You see it in the faces of the Korean people when you go to that country.

You see it in the faces of that wonderful children's choir, the orphans choir, when they come to America and sing so beautifully that

the tears come to your eyes when you think of what they have been through and yet how happy they can be despite all of that.

And you see it when you realize, as I realized on every occasion today, that Korea is a country which has received aid from the United States, but a country that wants to develop the ability to stand on its own feet on occasion after occasion. The President has expressed the appreciation of the Korean people for the aid they have received from the United States.

And my answer is this: We have aided over 100 countries over the last 25 years. Some of those programs have been successes; more of them have been failures. But there is one great lesson. All of the aid in the world will not help the people who are unable or unwilling to help themselves. And the people of Korea are not only willing to help themselves, they insist on helping themselves.

And despite their immense military budget, they are developing economically in a remarkably effective way so that the time is now nearing when they will proudly be able to stand on their own two feet economically without any assistance from the United States or any other nation.

So these qualities are what we think of or I think of when I think of Korea: courage, true friendship and alliance, and self-reliance—self-reliance which is so important for the character of a great people.

In proposing a toast to the President of Korea, I have been reminded that there is a saying in Korea which goes like this: The times in which we live are most trying, but may the time come when peace and prosperity will finally come to those thousand miles of mountains and rivers on which we live.

That is what we feel about Korea tonight. We want peace and prosperity for Korea, for all the nations of the world; and so, from our hearts, I know all will want to join me tonight in raising our glasses to that peace and prosperity for the people of Korea and to the President of Korea and to Mrs. Park: the President

President Park

It is a great honor for me to have received such warm and splendid welcome and hospitality here in this beautiful city of San Francisco today. And I would like to express my

highest admiration again to the American people for their greatest achievement of all, the landing of the first men on the moon.

My heartfelt congratulations are also extended to President Nixon for the remarkable diplomatic success he has achieved for world peace through his recent visit to a number of countries of the world.

On behalf of the Government and people of the Republic of Korea, I would like to take this opportunity to express my deep appreciation to the Government and people of the United States for their unfailing support to the cause of freedom, independence, security, and prosperity in Korea.

I am most pleased to inform you that your officers and men in Korea are discharging their duties in the most superb way today as in the past, standing guard side by side with my fellow countrymen in uniform along the demilitarized zone. I extend my personal thanks and highest regards to those American youths for their distinguished service in Korea.

At this very moment, the Republic of Korea is striving hard for its own progress while arding the defense line along the demilitarized zone. All Koreans are working vigorously toward strengthening the national defense on the one hand, and the realizing of the economic self-sufficiency on the other.

The remarkable progress achieved so far by the Republic of Korea is the result of efforts of the Korean people, who are receiving assistance, coupled with the friendship of the American people, who are rendering assistance. I think this is not only a matter of pride for the Korean people, but also for the American people. And we are happy with and proud of the fact that we have demonstrated the immense strength which has been generated from the cooperation between our two countries. Ladies and gentlemen, we are, however, still faced with certain elements who, out of jealousy of our splendid achievement, threaten to destroy, at every opportunity, what we have accomplished through our joint efforts. They are the very aggressive North Korean and Communists who continue to commit bellicose acts of provocation and infiltration, constantly seeking opportunity for renewed aggression.

Bellicose North Korea has gained not an inch of our free land despite their ceaseless attempts. It is because, in my belief, of the

stanch anti-Communist stance of the Korean people, together with the firm determination of the United States to defend Korea, that we have prevented this.

I take this opportunity to pay my sincere tribute to the memory of those young officers who have sacrificed themselves for the peace in Korea and its neighboring areas. My deepest sympathy goes to their bereaved families. I have no doubt that the noble sacrifices for peace will shine increasingly brighter in the pages of history of mankind and be long remembered by us all.

Ladies and gentlemen, it is our fervent desire that peace must be restored as early as possible, not only in Korea, but in every corner of the world, especially in Viet-Nam. This is the reason why I have deep understanding of, and give full support to, the endeavors of President Nixon to settle the Vietnamese conflict and to restore peace in Viet-Nam as early as possible. And this is why the Republic of Korea spares no effort in cooperating in the cause of peace.

Frankly speaking, I realize through my own experience that, as far as Communists are concerned, there can be no peace as we understand it. Theirs in reality is no more than a peace in disguise during which they prepare for a larger scale aggression.

Through my own long experience in dealing with Communists in Asia, I am firmly convinced that the only, and the best, way to restore peace in the region is to convince the Communists of our superior strengths which they cannot defeat so that they may abandon their futile theme of aggression.

It is because of this belief that at every opportunity I have emphasized the importance of the principle of responsive actions in our dealings with the Communists.

I can only hope that our honest effort for peace will eventually be accepted in good faith by the Communists and that they will abandon their usual method.

Ladies and gentlemen, today there is an upsurging trend toward self-determination and self-dependence among free nations in Asia, who are endeavoring to attain progress and prosperity through their own initiatives and efforts.

This outlook and vigorous effort on the part of the Asian people are throwing a brilliant new light on the paths toward a new era in

Asia. They are giving greater hope and encouragement to the prospect of world peace.

Despite such a new hope in Asia, however, there still lie serious obstacles in the way. And these are, I must point out once again, the Communist threats.

Under these circumstances, the time has now come for free nations in Asia to unite and work together for the common objective of prosperity. I believe that it is now time for you to take resolute action toward this end.

I am convinced that regional security and prosperity can be achieved by the nations of the region themselves if they unite, cooperate, and endeavor together more closely for the attainment of these common objectives.

I believe what President Nixon has emphasized in his new Asian policy is this very spirit of self-dependence in Asia which calls for the initiative of Asians themselves in shaping their own destiny.

Asia for Asians, and the United States will not abandon Asia but continue to remain there as an Asian and Pacific power to assist Asians in their own effort for the development of their region and will honor the commitment made to the area.

This underlying theme of President Nixon's policy, will, I am pleased to say, have our wholehearted support.

In my view, the President's policy has laid emphasis on the two aspects: the responsibility of the Asians themselves and the role of the United States in regional cooperation. And I firmly believe that this policy will contribute positively to self-dependence of Asia and will help Asians realize well-being in the region through a higher degree of cooperation.

I think the Asians as well as the United States people should bear in mind that only when the initiatives and efforts of the Asians themselves and the United States cooperation are well coordinated and balanced together, so as to meet the needs of Asia in an effective way, can we expect a great effect from the new approach of the United States for the stability and progress of this region.

But should these efforts become imbalanced for want of a positive effort on the part of either side, new disturbances and threats will inevitably recur in this region.

Citizens of the great United States who have sent men to the moon, I would like to ask you

to join me now in a toast to the continued good health and happiness and success of the President and Mrs. Nixon.

EXCHANGE OF REMARKS, AUGUST 22

White House press release (San Francisco, Calif.)
August 22

President Nixon

Mr. President, as we complete our talks, I wish to express appreciation to you for coming to the United States and for giving me the benefit of your views, not only on the relations between our two countries but also on United States policy generally in the Pacific and in the Asian area.

I have found these talks most helpful. And I am sure that not only are we going to continue to have the relations, the good relations, we have had in the past between the Republic of Korea and the United States but that U.S. understanding of the great forces now at play in Asia—forces that will shape the future for the last third of this century—that that understanding has been increased as a result of having the benefit of your views.

And finally, I want to say that I look forward, during my term of office, at some time of returning to Korea and of visiting your country again and in seeing you and Mrs. Park again at that time.

President Park

I wish to take this opportunity once again to express my most sincere appreciation to President and Mrs. Nixon for their cordial invitation and also to express my wholehearted appreciation for the warm welcome which has been extended by the President and Mrs. Nixon and the citizens of the United States.

During my talks with President Nixon, the talks between our ministers concerned, I have been able to exchange most candid views of the matters of mutual concern and interest. I am very pleased and satisfied with the conference and discussion we have had so far. And I am sure this meeting will even further strengthen the cordial and amicable relationship which we have enjoyed in the past. I am very glad that President Nixon has accepted my invitation to visit the Republic of Korea, where

I could have the opportunity to reciprocate the hospitality that we have been accorded during our visit here in San Francisco.

And I hope that you gentlemen here would also accompany President Nixon when he visits Korea, and we would like to reciprocate the courtesy to you, also.

Thank you very much.

TEXT OF JOINT STATEMENT

White House press release (San Francisco, Calif.) dated August 22

At the invitation of His Excellency President Richard Nixon of the United States of America, His Excellency President Park Chung Hee of the Republic of Korea and Mrs. Park visited San Francisco August 21 and 22, 1969. The meetings of the two Presidents took place in an atmosphere of warm cordiality reflecting the close and long-standing relationship between the United States and the Republic of Korea.

The two Presidents agreed that a new era is beginning in Asia marked by the increasing strength and prosperity of most Asian countries. They affirmed that these countries are increasingly contributing to the security of the East Asian and Pacific region as well as to their own security. They agreed on the desirability of strengthening existing organizations and institutions for East Asian and Pacific regional cooperation.

President Park gave an account of continuing acts of aggression committed by the North Korean communist regime against the Republic of Korea. The two Presidents agreed that Republic of Korea forces and American forces stationed in Korea must remain strong and alert and the two Presidents reaffirmed the determination of their Governments to meet armed attack against the Republic of Korea in accordance with the Mutual Defense Treaty between the Republic of Korea and the United States.

President Nixon and President Park took note of the newly formed Homeland Reserve Defense Force as a contribution to the security and stability of Korea. They agreed that support for the Homeland Reserve Defense Force should be continued.

The two Presidents recognized the necessity

for long-term efforts to lessen the causes of tension on the Korean peninsula.

The two Presidents agreed that allied nations should continue to work toward securing an honorable and lasting peace in Vietnam and they reaffirmed the right of the Vietnamese people to determine their own future without external interference or intimidation. President Park expressed agreement with the proposals put forth by President Nixon on May 14, 1969.² President Nixon expressed appreciation to President Park for the contribution which the valiant troops of the Republic of Korea are making in Vietnam and agreed that the United States would continue to consult closely with the Republic of Korea and its other allies concerning the situation in Vietnam.

President Park expressed the gratitude of his countrymen for the consistent efforts of the United States on behalf of Korea's independence, freedom and economic reconstruction both in war and peace.

President Park conveyed to President Nixon the congratulations of the Korean people for the great achievement of Apollo 11 which marked a new chapter in the history of mankind by landing men on the moon and expressed his desire that this accomplishment would add new momentum to the common efforts of all nations in realizing a better world where all mankind would enjoy lasting peace and prosperity.

President Nixon expressed his admiration for the rapid and remarkable progress of the Republic of Korea in economic, social and other fields in recent years under President Park's leadership. President Park reaffirmed that Korea's economic goal is self-sufficiency and President Nixon expressed the intention of the United States Government to continue to cooperate with the Government of the Republic of Korea in its efforts to promote international trade and to attain an even higher level of economic development. President Nixon affirmed the readiness of the United States Government to continue to extend technical cooperation for further development of science and industry in the Republic of Korea. The two Presidents recognized that investment in Korea of United States private capital and joint ventures be-

² For President Nixon's address to the Nation on May 14, see BULLETIN of June 2, 1969, p. 457.

tween United States and Korean enterprises are mutually beneficial.

The two Presidents pledged themselves to a continuation of the close cooperation which has characterized relationships between the two Governments in keeping with the mutual friendship forged on the fields of battle, first in Korea and now in Vietnam.

President Park expressed his deep appreciation to President Nixon, the Government of the United States and the Mayor and citizens of San Francisco for the warmth of their reception and for the courtesies extended to him and his party during the visit.

President Park cordially invited President Nixon to visit the Republic of Korea and President Nixon accepted the invitation with pleasure. They agreed that the visit would take place at a time of mutual convenience.

15. Senator Tydings' remarks on "Implementing the Guam Doctrine: The Case for Withdrawing U.S. Troops From Korea," Congressional Record, April 9, 1970, pp. S5514-S5517

IMPLEMENTING THE GUAM DOCTRINE: THE CASE FOR WITHDRAWING U.S. TROOPS FROM KOREA

Mr. TYDINGS. Mr. President, in his inaugural address 14 months ago, President Nixon announced his determination to lead this Nation out of a period of confrontation in international affairs and into an "era of negotiation."

Six months later in Guam, the President offered a more concise explanation of how this new doctrine would be implemented in Asia. Henceforth, he declared, the United States would expect its allies in Asia to accept the primary responsibility of providing the manpower for their own defense. The United States would confine its role in the Pacific to the provision of a nuclear shield, and the furnishing of military and economic assistance to Asian nations threatened with external aggression.

To the extent that such policy statements serve as the basis for future U.S. actions, they are certainly welcome. Had we pursued the course they prescribe 6 years ago, we could have avoided our entrapment in Vietnam and the terrible price in blood and treasure that tragic war has exacted.

FAILURE TO APPLY THE GUAM DOCTRINE

However, this Nixon Doctrine has failed so far to address the problem of the consequences of our past military involvements and interventions in the Pacific: The more than two-thirds of a million American troops that remain deployed today on the Asian mainland and in the surrounding areas. In focusing on the need to move from a period of confrontation to an era of negotiation, this new doctrine has failed to grapple with our ultimate objective in Asia: U.S. military extrication.

Vietnamization, the label our present Vietnam policy bears, is a program for deescalating U.S. participation in that Southeast Asian conflict. The President has indicated he hopes to withdraw all U.S. ground forces from Vietnam by the end of this year; a hope that sadly grows more remote with each request for delay from the Pentagon.

But, whatever the schedule, Vietnamization is not a policy for total U.S. military extrication from Vietnam. Secretary of Defense Laird has made it clear in testimony before the Congress that the administration contemplates keeping 100,000 to 200,000 American military personnel in Vietnam indefinitely in advisory and support capacities, at a cost not only of continuing American casual-

ties, but also of billions of dollars each year.

At no point does this policy of Vietnamization, as annunciated to date, describe the conditions that would permit the complete withdrawal of U.S. Armed Forces and indicate what we intend to do to secure those conditions.

In short, Vietnamization lacks a plan and a timetable for ending the U.S. military presence in South Vietnam. For all we know, 1980 will find 200,000 U.S. troops at a cost of \$10 billion a year still stationed in and around Saigon.

In addition to the 450,000 U.S. troops currently stationed in Vietnam, there are approximately 55,000 U.S. troops in Korea, 50,000 U.S. troops in Thailand, 100,000 U.S. troops in Japan, Okinawa, Guam, and the Trust Territories, 30,000 U.S. troops in the Philippines, and as we recently discovered, a number of U.S. military personnel in Laos. This comes to a total of more than 685,000 U.S. troops and military personnel stationed in Asia today.

Many of these troops appear to be permanently stationed in the Pacific. To the best of my knowledge, no plans with timetables currently exist for withdrawing these troops and bringing them home.

This is particularly disturbing in view of the persuasive evidence which suggests that a large number of them could be brought home this year with no significant effect on our security or that of our Asian allies.

KOREA: A CASE IN POINT

South Korea provides an excellent example of an Asian nation in which we could begin immediately implementing the Guam doctrine.

At present, there are 55,000 U.S. troops in Korea organized principally into two divisions. As I shall seek to demonstrate in the remainder of my remarks, at least one of those U.S. divisions could be withdrawn this year at a saving of \$250 million and numerous American lives without significantly weakening either the defenses of South Korea or our ability to deter a possible attack on the south from North Korea or China.

Let us review the relevant arguments.

U.S. TROOPS NOT NEEDED FOR ROK DEFENSE

First, South Korea today, without the assistance of any U.S. ground forces, possesses the military manpower and resources to handle any invasion threat North Korea could pose in the foreseeable future, providing U.S. air support is continued.

The south contains a population of 31 million compared to a population in the

north of only 13 million. In 1968, the most recent year for which data is available, South Korea recorded a gross national product of \$5.2 billion; the North Korean GNP was only \$2.8 billion. And based on a projection of current growth rates, this disparity in the economic capacity of the two Koreas will increase in the decade ahead.

Last year, the South Korean economy grew an incredible 13 percent, a rate more than three times the growth rate of the U.S. economy. At the same time, available evidence suggests that the North Korean economy is stagnating. When Gen. Earle G. Wheeler, Chairman of the Joint Chiefs of Staff, was asked by a House Appropriations Subcommittee last June to compare the two Korean economies, he replied:

As you know, the South Korean economy has burgeoned over the past several years. On the contrary, the North Korean economy is practically dead.

This economic superiority of the South is increasingly being reflected in the military balance sheet for the two Koreas. South Korea now boasts a total armed force of 620,000 men—the third largest army in the free world. North Korea, on the other hand, has a force level of only 384,000 men.

Of greater long-term military significance is the fact that the south supports this larger force with a defense budget that consumes only 6 percent of its GNP. By contrast, the North Koreans are being forced to devote 25 percent of their smaller GNP to field a force which is only 60 percent as large as that of the south. In other words, the south is in a position to expand its own forces considerably without assuming the relative economic burden the north already has incurred.

Therefore, given the greater size, growth rate and industrial capacity of the South Korean economy, and the current advantage the South holds over the North with respect to military manpower, there is every reason to believe the government in Seoul currently can defend its borders against a North Korean attack without the assistance of U.S. ground forces.

Certainly, the south possesses the military personnel to fill any gaps the removal of one U.S. division might create out of existing ROK forces. And given the excellent training and fighting ability of the ROK troops, the Americans could be replaced without any significant sacrifice in combat effectiveness—particularly if the departing U.S. troops left their weapons and equipment behind.

If Seoul is reluctant to draw on ROK

forces currently deployed in Korea to replace departing American troops, it has several other options. There are currently 2½ South Korean divisions—50,000 men—stationed in Vietnam. Just as Vietnamization is expected to permit the total withdrawal of U.S. ground forces from Vietnam in the coming year, this policy should permit the withdrawal of South Korean troops. One of these 2½ crack ROK divisions could be used to assume the positions of a departing American division in Korea.

And, if Seoul is opposed to bringing back these troops from Vietnam or simply replacing departing U.S. troops with existing ROK forces, South Korea has the economic resources and manpower pool to create and equip one new division. Of the 305,373 men eligible for the South Korean draft last year, only 180,000 or 58 percent were inducted. Surely, another 25,000 to 35,000 can be inducted if the South Koreans believe their national security is at stake.

North Korea has been able to meet its armed forces needs with a much smaller manpower potential than the South and without recourse to Chinese or Soviet troops. There is no reason why South Korea should not be able to meet its own needs without relying on U.S. ground troops.

It should be noted here that North Korea does enjoy marked air superiority over the South. Therefore, any American troop withdrawals from Korea at this time could not include a reduction in U.S. tactical air power in the Pacific.

So far, we have been defining Seoul's defense needs in terms of a possible North Korean attack. Could the South stave off a combined North Korean-Chinese attack unaided?

The answer is clearly no. But, at the same time, the presence of one or two U.S. divisions on Korean soil equipped for conventional warfare hardly would alter the outcome.

An effective defense against a massive Chinese invasion—a highly unlikely event given the risks Peking would run of nuclear war with the United States—would require a larger U.S. force than that now deployed in Vietnam and probably the resort to nuclear weapons.

In summary, maintaining two U.S. divisions in Korea instead of one cannot be justified in terms of defense requirements. A second U.S. division is not needed to defend against a North Korean attack; and it is not helpful against a Red Chinese attack.

U.S. DETERRENT: ONE DIVISION AS GOOD AS TWO

Second, the withdrawal of one U.S.

division from Korea would not noticeably diminish the deterrent to a North Korean or Chinese attack provided by America's commitment to defend South Korea from external aggression.

As I just attempted to explain, U.S. ground troops in South Korea are not essential to the actual defense of that nation; they could be replaced by ROK forces with no significant degradation of South Korea's defense capability. If there is any case to be made for the continued deployment of U.S. troops in Korea, it is in terms of their role as a deterrent.

There is no question that the stationing of U.S. ground forces in South Korea is a very direct way of warning Pyongyang and Peking that an attack on South Korea necessarily means war with the United States. However, I would challenge those who contend that our deterrent would not be credible without the presence of U.S. troops in Korea to explain why one U.S. division cannot convey our commitment as effectively as two. Why would a North Korean attack on 30,000 U.S. soldiers be any less likely to insure American entry into the conflict than an attack on 55,000 U.S. soldiers?

I think the answer is that both would be equally effective.

Furthermore, the presence of U.S. troops in Korea is not the only basis of our deterrent. We are party to the United States-Republic of Korea Mutual Defense Treaty of 1953. Article III of that treaty commits the United States to take appropriate action if South Korea is the object of an "armed attack." In addition, we have a commitment under the United Nations to defend South Korea from an attack by North Korea or China. In August of 1953, after the armistice concluding the Korean war was signed, the 16 nations that had furnished military forces to the U.N. command during the war issued a statement pledging themselves to renew the war if Communist aggression recurred.

Another factor serving to reinforce the credibility of the U.S. commitment as a deterrent to an attack on South Korea—the ability of our tactical air force in the Pacific to strike North Korea—would in no way be diminished by the withdrawal of one ground division.

Also, there is America's demonstrated ability to transport large numbers of U.S. troops into Korea on short notice. Last year the United States airlifted a sizable force of combat-ready troops from North Carolina to South Korea in 31 hours.

Our Polaris submarines with their nu-

clear missiles that are scheduled to be deployed shortly in the western Pacific provide a potent deterrent against intervention by Peking in any future Korean conflict.

Finally, our surveillance and intelligence systems in Korea constitute an effective deterrent. For the Chinese and North Koreans know we can detect troop movements and troop concentrations of the magnitude required for a major invasion of the south, and realize that this will give us the leadtime to fly in necessary U.S. troops and weapons should the President and Congress consider it advisable.

A surprise attack like that launched by the Chinese in 1950 in the mountainous terrain of North Korea would not be possible today. For the demilitarized zone dividing the Koreas does not afford adequate cover. Any large concentration of Chinese troops would be spotted well in advance of an invasion of the south.

In short, the facts strongly suggest that the continued presence of both our ground divisions on Korean soil is not a prerequisite to the preservation of a credible U.S. deterrent to a major enemy attack on South Korea.

COSTS AND RISKS

Third, the present deployment of one American division on the front line in South Korea entails dangerous and unnecessary risks and costs to the United States.

No one can question our current commitment to come to South Korea's aid in the event of a major enemy attack. Our treaty obligations are explicit and uncontested.

But, of all of our bilateral and multilateral security pacts wisely stipulate, the manner in which we fulfill our commitment in each instance must be determined "in accordance with U.S. constitutional processes." In other words, the President and the Congress retain the power to determine the form of U.S. action in response to a threat to the security of South Korea or any other nation with which we have a reciprocal defense agreement.

Such is not the case with respect to South Korea today. By stationing an American division on the front line in Korea, the power to decide how the United States will fulfill its treaty obligations has been effectively removed from Washington and shifted to Seoul and Pyongyang. The one U.S. division now positioned along the DMZ—the other is held back in reserve—serves as a "trip-wire;" that is, it operates as a

deterrent by insuring that any North Korean invasion of the South will necessarily involve U.S. troops.

To begin with, it is U.S. presence in Korea, not the undue exposure of U.S. forces, that is essential for purposes of deterrence.

Furthermore, employing this division as a "trip-wire" vitiates the critical "constitutional processes" clause in our mutual defense treaty with Seoul. For should the North Koreans invade across the DMZ, our front line division would automatically trigger U.S. participation in a ground war in Korea.

Even more unacceptable is the situation in which the aggression is initiated by the South Koreans. The United States-Republic of Korea Mutual Defense Treaty of 1953 contains an understanding insisted upon by the U.S. Senate that releases the United States from any obligation to aid the South Koreans should they attempt to go north.

But the presence of that one U.S. division on the DMZ renders that understanding meaningless. For the North Korean reaction to an attack from the south would necessarily subject those U.S. troops to enemy fire; fire they would be forced to return to survive. The President and the Congress would then have no alternative but to send additional troops and materials to help defend that U.S. division.

In addition, the maintenance of U.S. troops along what is generally considered the most vulnerable and dangerous 18-mile stretch of the DMZ is being paid for at the cost of American blood as well as dollars. These troops, along with those in Vietnam and Laos, are the only American military personnel in the world today judged in sufficient danger to warrant combat pay. During the last 2 years for which figures are available—1967-68—31 American soldiers have been killed and 118 wounded by enemy fire in Korea.

Seventeen years have elapsed since the Korean armistice was signed. The United States has invested \$8 billion in South Korea over that period to build a vigorous economy and an effective armed force in that nation. And based on the evidence, we have succeeded.

There is absolutely no sound reason why American boys should still be laying down their lives on the front line when Korean troops are perfectly capable of patrolling that line.

SAVING TAX DOLLARS

Fourth, replacing one U.S. division in Korea with a ROK division would result in a substantial budgetary savings for

the United States if the withdrawn American division was disbanded.

Conservative estimates of the annual pricetag for American military presence in Korea put the amount at somewhat in excess of \$1.1 billion. Of this sum, roughly half—or about \$500 million—is directly related to the maintenance of our two Army divisions.

It has been calculated that it costs only about one-tenth as much to keep a ROK division in the field in Korea as it costs to put one U.S. division in Korea. This differential is the product of higher U.S. salaries, a higher U.S. standard of living and the transportation costs of shipping U.S. forces across the Pacific and back. Therefore, replacing one of our divisions in Korea with a ROK division—even if we financed the latter—promises savings in the range of \$200 to \$300 million a year; resources desperately needed to meet pressing problems here at home.

Replacing a U.S. division with a ROK division would also ease the grave balance-of-payments problem the United States has been experiencing. According to the Department of Defense, we incurred a balance-of-payments deficit of \$269 million last year as the result of our military presence in Korea.

By way of contrast, Seoul has been been running surpluses in its foreign exchange account in recent years. Representative OTTO E. PASSMAN, chairman of the House Appropriation Subcommittee on Foreign Operations, reported during hearings last year that—

The Koreans actually have an excess in their foreign exchange account and they are now buying good solid U.S. bonds and getting a little higher rate of interest than we are paying Americans . . . So we are putting money in the front door and borrowing back some of it through the back door.

I might add that we are giving them money in the front door and paying them higher interest when we borrow back our own money through the back door.

There is no reason why we should continue to bear this costly burden when neither security considerations nor the state of the Korean economy warrants it.

ROK: READY TO STAND ALONE

Fifth, and most important, the Republic of Korea has come of age as a nation.

Its government is stable and appears to have the support of the South Korean people. There is no question of their will to defend themselves against an attack from North Korea or from anywhere else.

As a result of \$8 billion in U.S. aid and its own resourcefulness, South Korea today boasts one of the most vigorous economies in the world with a rapidly expanding industrial base.

The ROK Army is large and well trained. It certainly appears capable of dealing with any invasion threat Pyongyang can pose.

It is safe to say that, if a comparable stage of political and economic development had been achieved in South Vietnam, we would have declared a "total victory" in that beleaguered nation long ago.

In 1953, we set out to provide the security shield, resources and know-how to enable South Korea to become an economically and militarily self-sufficient nation. This was the goal of all our economic and military assistance over the past 17 years.

Well, we have succeeded. It is time we recognized that South Korea is ready to stand on its own.

When a nation has reached that stage, it is hardly in our interests to serve as an obstacle to the expression of its full self-reliance. A lingering U.S. presence in South Korea can only be viewed, ultimately, as paternalistic by the Korean people.

ARGUMENTS AGAINST WITHDRAWAL

These are the five principal reasons which in my opinion constitute a compelling case for the withdrawal of one U.S. division from Korea this year.

However, before deciding on a proper course of action, it is necessary to carefully consider several arguments that are frequently offered in opposition to even a partial withdrawal of U.S. forces from Korea.

The first and most publicized objection to the removal of any U.S. troops from Korea at this time revolves around the question of nuclear weapons. The United States reportedly keeps nuclear weapons in South Korea to deter against a combined Chinese-North Korean attack and possibly to defend against such an attack should deterrence fail.

Opponents of a troop withdrawal in Korea have argued that U.S. troops in adequate strength are needed to guard these nuclear weapons. Even the removal of one of the two U.S. divisions stationed there, it is contended, would leave these weapons vulnerable to North Korean seizure.

If the nuclear weapons in question are strategic, they can certainly be withdrawn from Korea with no diminution in our strategic capabilities of any consequence. There appears to be no com-

pelling military reason for strategic weapons to be stored forward in Asia. Indeed, I would challenge the Defense Department to document any significant degradation in our ability to destroy China or the Soviet Union resulting from the withdrawal of strategic nuclear weapons from Korea.

Tactical nuclear weapons present an entirely different set of variables.

Putting aside for the purposes of argument the question of whether it is really possible to fight a limited nuclear war, the proponents of a U.S. tactical nuclear force readily concede that it only makes sense to use this force in certain situations.

If ROK forces were either driving back an invading army or holding their own, the introduction of tactical nuclear weapons would clearly involve unjustifiable risks of widening the conflict and possibly triggering World War III. Presumably, the only situation in which the use of these weapons would be considered is one in which enemy troops were threatening to quickly overrun all of South Korea.

But as I pointed out earlier, a force of sufficient size and concentration to overrun Korea, given the present strength of ROK ground forces, would certainly be detected by U.S. surveillance systems well in advance of the actual invasion. If such an invasion threat were developing, I would estimate that we could transport tactical nuclear weapons from the United States to South Korea in no more than 24 hours plus flying time.

Would this be fast enough? In June of 1950, it took North Korean forces with a troop superiority of roughly 2 to 1, 3 full days to reach Seoul, which is only 60 miles south of the DMZ—and a long way from taking all of South Korea. And today, the manpower advantage belongs to the ROK Army.

In short, Peking and Pyongyang are aware that we can introduce tactical nuclear weapons into Korea very quickly. Prepositioning these weapons is neither necessary for deterrence nor for their use in the defense of South Korea.

The other argument frequently offered in opposition to the withdrawal of U.S. troops rests on the contention that the United States pledged to maintain present troop levels in Korea as long as ROK forces remained in Vietnam. However, according to Secretary of Defense Laird, no such agreement between Seoul and Washington was ever concluded.

Questioned specifically on this matter before a House subcommittee last year, Secretary Laird replied:

There is no bargain, there is no understanding along that line. I want the record to show that there is no commitment as far as the United States is concerned along that line, and we shouldn't let anyone think that there is any kind of commitment like that because, as far as I am concerned, I would not go along with any commitment like that.

Thus, in my considered judgment, neither of the major arguments offered in opposition to even a partial withdrawal of U.S. ground forces from South Korea is very convincing.

MATCHING WORDS WITH ACTION

It is for this reason that I believe the President should undertake the following:

First, the President should order the withdrawal of the one U.S. division currently stationed along the DMZ in Korea. Withdrawing this front-line division and dismantling it would reduce the risk of the United States being involved in another ground war in Asia, stop the killing and wounding of U.S. soldiers in Korea, produce a budgetary savings of roughly a quarter of a billion dollars a year, and recognize that South Korea finally has come of age as a nation without jeopardizing the security of either the United States or South Korea. It should be emphasized that the American boys in the remaining U.S. division would be no less secure than they are now owing to the presence of ROK troops and U.S. air power.

Second, the President should indicate to the Congress and to the American people how this administration intends to implement the Guam Doctrine.

What conditions will permit the complete withdrawal of U.S. ground forces from Japan, Thailand, Okinawa, Guam, the Philippines, and Laos? When will these nations no longer have to rely on U.S. tactical air support for their security?

What are the President's plans beyond Vietnamization for fully liquidating the American military presence in Vietnam?

When will the United States be able to withdraw the other U.S. division now stationed in Korea, and what are we doing to hasten that day?

A survey of U.S. military personnel stationed around the world reveals that their positioning and numbers too often are the product of historical accident rather than a careful calculation of present U.S. security requirements. Too often the best explanation available for the presence of American troops in a particular country is that we have had troops there for 10, 20, or 30 years.

I offer the case of Korea simply as one example of a nation in which more U.S. troops are deployed than are needed.

For what other nations can the same be said?

For too long we have ignored or avoided seeking the answers to such questions. As a result, the Guam Doctrine remains largely rhetoric today.

It is time for Congress to actively promote the implementation of this doctrine. Comprehensive Senate hearings should be scheduled this year on the subject of U.S. general force levels deployed in Asia and Europe.

The President has declared the onset of an "era of negotiation" in U.S. relations with the rest of the world. In the name of economy and U.S. security, it is our responsibility to insure that this period of reduced tension and detente culminates in an "era of military extirication."

Mr. President, I ask unanimous consent to have printed in the RECORD at the conclusion of my remarks a copy of the Mutual Defense Treaty between the United States and the Republic of Korea and a copy of the report to Congress by Richard Nixon, President of the United States, on February 18, 1970, entitled "U.S. Foreign Policy for the 1970's—A New Strategy for Peace."

There being no objection, the documents were ordered to be printed in the RECORD, as follows:

MUTUAL DEFENSE TREATY BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF KOREA

The Parties to this Treaty,

Reaffirming their desire to live in peace with all people and all governments, and desiring to strengthen the fabric of peace in the Pacific area,

Desiring to declare publicly and formally their common determination to defend themselves against external armed attack so that no potential aggressor could be under the illusion that either of them stands alone in the Pacific area,

Desiring further to strengthen their efforts for collective defense for the preservation of peace and security pending the development of a more comprehensive and effective system of regional security in the Pacific area,

Have agreed as follows:

ARTICLE I

The Parties undertake to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered and to refrain in their international relations from the threat or use of force in any manner inconsistent with the Purposes of the United Nations, or obligations assumed by any Party toward the United Nations.

ARTICLE II

The Parties will consult together whenever, in the opinion of either of them, the political independence or security of either of the Parties is threatened by external armed

attack. Separately and jointly, by self help and mutual aid, the Parties will maintain and develop appropriate means to deter armed attack and will take suitable measures in consultation and agreement to implement this Treaty and to further its purposes.

ARTICLE III

Each Party recognizes that an armed attack in the Pacific area on either of the Parties in territories now under their respective administrative control, or hereafter recognized by one of the Parties as lawfully brought under the administrative control of the other, would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

ARTICLE IV

The Republic of Korea grants, and the United States of America accepts, the right to dispose United States land, air and sea forces in and about the territory of the Republic of Korea as determined by mutual agreement.

ARTICLE V

This Treaty shall be ratified by the United States of America and the Republic of Korea in accordance with their respective constitutional processes and will come into force when instruments of ratification thereof have been exchanged by them at Washington.

ARTICLE VI

This Treaty shall remain in force indefinitely. Either Party may terminate it one year after notice has been given to the other Party.

In witness whereof the undersigned Plenipotentiaries have signed this Treaty.

Done in duplicate at Washington, in the English and Korean languages, this first day of October 1953.

For the United States of America:

JOHN FOSTER DULLES.

For the Republic of Korea:

Y. T. PYUN.

16. United States and Korea Agree on U.S. Troop Reduction and Korean Modernization, a joint communique issued February 6, 1971

Following is the text of a U.S.-Republic of Korea joint statement issued at Seoul and Washington February 6.

The Government of the Republic of Korea and the United States Government have completed satisfactory talks on the program for the modernization of the Korean armed forces and arrangements for the reduction of U.S. forces in Korea.

The United States has agreed to assist the Government of the Republic of Korea in its effort to modernize its defense forces, through a long range military assistance program on the basis of joint United States-Republic of Korea military recommendations. The Korean Government notes with satisfaction that the United States Congress has approved \$150 million as supplemental funds for the first year portion of the said modernization program.

Consultations between the two governments on the reduction of U.S. troop strength in Korea by 20,000 and on the consequent repositioning of Korean and U.S. troops also have been concluded in a spirit of mutual understanding and close cooperation.

Reductions in the level of United States troops in Korea do not affect in any way the determination of the United States Government to meet armed attack against the Republic of Korea in accordance with the Mutual Defense Treaty of 1954 between the Republic of Korea and the United States.

Annual security consultative meetings to be attended by foreign and defense officials of both governments at a high level will be held to assess the nature of the military threat directed against the Republic of Korea. In such discussions, over-all capabilities to defend against the threat will be evaluated.

17. U.S. Foreign Policy for the 1970's, Building for Peace: A Report to the Congress by Richard M. Nixon, President of the United States, Department of State publication, February 25, 1971, pp. 91-99

I will continue to do what is necessary to protect American men as they leave Vietnam. Throughout I will keep the American people and the Congress fully informed.

A negotiated settlement for all Indochina remains our highest priority. But if the other side leaves us no choice, we will follow the alternate route to peace—phasing out our involvement while giving the region's friendly countries the time and the means to defend themselves.

EAST ASIA AND THE PACIFIC

"Today, as we look to the future of the Pacific, we recognize that whether peace survives in the last third of the century will depend more on what happens in the Pacific than in any other area of the world."

Remarks Upon the Arrival of
Prime Minister Sato of Japan
November 19, 1969

The home of almost half the population of the earth, second to none in the richness of its human talents and energy, possessing vast material resources, and encompassing the central land mass of the earth, Asia and the Pacific region lie at the heart of the task of creating a stable structure of world peace. Since the Second World War, it is only in this region that developments have impelled America to send her sons to war. Asia and the Pacific includes territories of the seven most populous and the three wealthiest powers, with all that implies for the vital nature of their interests. A Pacific power ourselves, our security and economic interests are inextricably involved with the future of Asia.

It is therefore essential to our national well-being that we accept the truth—and that our policies reflect the fact—that an era has ended in Asia.

Beyond the Nixon Doctrine

A new Asia is emerging. The Nixon Doctrine is only the beginning of the adjustment of the American role to an era in which the last vestiges of the postwar period will be gone.

- The old enmities of World War II are dead or dying. So are the old dependencies of the post-war era. The next decade can see the burial of both.
- Asian states are stronger. They are able and determined to play a larger role in shaping the international structure of their region.
- They are joining together in regional structures which make them more independent of, and therefore more influential on, the policies of the greater powers.
- Each of the major powers of the Pacific region—Japan, the USSR, the Peoples Republic of China, and the United States—is faced with difficult decisions in adjusting its policies to the new realities of East Asia. And the decisions they make will, in themselves, centrally affect the international situation in the region.

The future structure of East Asia is, therefore, not yet clear. It depends on decisions not yet made. But it is clear that it will not be subject to the dominant influence of any one state.

It will, rather, rest on two pillars: the collective interests of Asian nations acting in regional groupings, and the policies of the four major powers concerned with the region.

Each, in the next decade, must adjust its policies to the legitimate interests of the others. Out of that process, which has already begun, is being created a new international structure in the Pacific region. The challenge for the future is to ensure that it is a structure of stability.

The Past—Laying the Foundation for a Stable East Asia

For several decades, our approach to Asia has been rooted in conceptions, once valid, but now increasingly overtaken by time. They stemmed from our experiences, for World War II and its aftermath served to dramatize the fragility of Asia, and nowhere was the menace of the cold war more strongly evident.

Both the economies and the political institutions of East Asia were shattered by World War II. Most of the states of the region were just emerging from the trauma of colonialism. They faced the common menace of a thrusting Communist ambition, and the awesome task of attempting to handle the most grievous domestic problems with untested and unfamiliar institutions. In dealing with neither challenge could they count on any dependable relationship among themselves or with the rest of the world. Their problems threatened to overwhelm them. They were not sure they had a future, much less that it could be reached without the sacrifice of human and democratic values.

In such a situation a stable Asia was not conceivable. We therefore acted to provide the margin of time and resources which the free nations of Asia needed so desperately.

We provided the security shield which made credible their plans for their own future. Behind that shield we undertook a leading role in supporting the political and economic progress of East Asian nations. In short, we accepted the responsibility of helping to create the foundation necessary for an international structure in the Pacific region of stability and progress and security.

The Present—The Need for a New Approach

It is precisely the success of that policy that makes a new approach both possible and desirable. For the central fact of East Asia today is the remarkable political and economic growth of the area, and the justifiable self-confidence that has resulted from it.

Asia of today is vastly different from the Asia which required, over the past several decades, so activist an American role. Asian nations now generally have a strong and confident sense of their own national identity and future. They have generally established healthier relationships with each other, and with the outside world. They have created institutions of proven vitality. Their armed forces are stronger.

There is, to be sure, still a need for a strong American role. The development of Asian nations has not taken place evenly. The credibility and intensity of outside threats to their national security and integrity is greater for some than for others. Despite the general economic progress of Asia, the standards of living are still far too low, and we have more than a moral interest in seeing those standards improved. For poverty in Asia is inconsistent with our political interest in the stability of the area, and our economic interest in a prosperous Asia with which we are a natural trading partner.

However, the new strength in Asia is a fact, and it requires a different and more restrained American approach, designed to encourage and sustain Asian regionalism, Asian self-reliance, and Asian initiatives. For those characteristics are essential to the construction of a stable international order in the region.

The Application of the Nixon Doctrine

Thus it was that the Nixon Doctrine was first announced in the Pacific region, and has most actively been manifested in Asia. It serves the domestic imperative of restraint in our international role, without sacrificing our interests in Asia or defaulting on our obligations. It brings our own deep interest in the future of Asia into better and more permanent balance with the growing indigenous strength of nationalism in the area.

To clarify the Nixon Doctrine, I have twice sent Vice President Agnew to Asia. He has listened to the views

of Asian leaders. He has reassured them that our purpose is not to withdraw from world affairs, but to establish the conditions which ensure our continued participation in them.

It is perhaps inevitable, but it is nonetheless an error, to judge the success of the Doctrine's application too narrowly by the reductions effected in the number of American military installations and personnel. Such reductions, to be sure, have been effected. They are described in detail elsewhere in this report. They include substantial cuts in the military and civilian American presence in Korea, Japan, Okinawa, Thailand, and the Philippines, as well as the more publicized reductions of our forces in Vietnam.

But these reductions cannot, by themselves, establish a more sound international structure in Asia, based more upon Asian efforts and self-reliance, dependent less upon American initiatives and resources. Such a structure is, by definition, a process involving the actions of many nations. It cannot be created by American actions alone.

In applying the Nixon Doctrine, we cannot move too fast without sapping the Asian sense of confidence and security which it is our purpose to sustain and nurture. And we cannot cut our own contributions to Asian security without providing for their assumption by our Asian friends. Thus, there is built into the decision to reduce our own presence the obligation to help our allies create the capacity to carry the responsibilities we are transferring. To do otherwise is to undercut our fundamental goal of creating a stable structure in Asia.

Korea is an excellent case in point. The maintenance of the level of U.S. forces in Korea had come to be viewed as a symbol of our commitment to the defense of that country. To a considerable extent, the symbol had become more important than the substance, for it inhibited critical examination of the threat, and of the capacity of local forces to deal with it. Yet it was clear that the situation in Korea had greatly changed since

the decision was made in 1954 to maintain the U.S. military presence there at two combat divisions.

Today, the military strength of the Republic of Korea has greatly increased, and includes an impressive pool of skilled manpower. The economic picture has also changed. In 1953 the South Korean economy had been devastated by war. Today it is vigorous, and for the past four years has grown at a remarkable average rate of more than 10%.

This strength enables us and our Korean ally to focus upon the substance, rather than the symbolic needs, of Korean defense. Thus we joined with the Government of Korea in a comprehensive review of our program of military cooperation. Together we decided that the Republic of Korea was now better able to meet its own defense needs, provided measures were taken to modernize the equipment of its existing forces.

On February 6, therefore, our two governments announced that U.S. forces in Korea would be reduced by 20,000 by June 30, 1971, and that agreement had been reached upon a program of modernization of the Korean armed forces.

Thus, the rationale for the return home of 20,000 American troops is that the Korean armed forces, if modernized, are adequate to carry a larger share of the Korean defense burden. Their prompt modernization requires assistance from us. The Congress has wisely seen fit to make available the initial resources needed to provide that assistance.

There will be other similar instances, for our own presence has been the central element in Asian security. The only responsible alternative to continuing to carry that full burden is to help our friends build the capacity to do the job with less assistance from us. I am sure the Congress will continue to see the wisdom of such investments.

The real progress of the Nixon Doctrine is to be seen in the ability and the desire of our Asian friends

to assume more of the responsibilities we have shared in the past. Such evidence is not lacking:

- In the past decade, the Gross National Product of the non-Communist nations of East Asia has tripled from \$100 billion to about \$300 billion.
- A decade ago our East Asian allies had about one million men under arms. Today, that figure has more than doubled, and the quality of equipment and training has significantly improved.
- The decision of Japan to contribute 1% of its Gross National Product in governmental and private transfers to foreign economic assistance by 1975 is a singular contribution to the kind of Asia they and we seek.
- No less significant is Japan's decision to liberalize its trade and capital restrictions, thus improving the access of others to the burgeoning Japanese market, and promising, to the benefit of all, a greater participation in meeting Japan's capital needs.
- The Republic of China, five years after the termination of our economic assistance, is the source of economic assistance to 23 less developed countries. This is eloquent testimony to Asian abilities to expand creatively on the base that we helped construct.

The Future—Beyond the Nixon Doctrine

From the above, I think it is fair to conclude that we and our Asian friends are well embarked on the effort to build a new relationship in which our role is defined by the Nixon Doctrine. I am confident that our role can be kept in consonance both with our interests and with those of the increasingly self-reliant and independent Asian states.

But that is only the first phase of the adjustments which we and others will have to make in Asia. In restructuring our own posture, we have set in train the

readjustment of the whole international order in the Pacific region. For our past policies have been the heart of the general equilibrium which has been maintained for the past twenty years.

In the next decade our Asia policy will be dealing simultaneously with three phases of Asian development. In some countries, there will still be an absolute—though we hope diminishing—need for us to play a central role in helping them meet their security and economic requirements. In others, we will complete the process of adjusting our relationship to the concepts of the Nixon Doctrine. And with all countries, we will be striving to establish a new and stable structure reflecting the renewed vigor of the smaller Asian states, the expanding role of Japan, and the changing interests of the Soviet Union and the Peoples Republic of China. In the past twenty years the American people have sacrificed much, both in blood and treasure, to help set the stage where such a structure can be created in the Pacific region. It is now in sight.

The major elements of the emerging structure are clear. The nations of Asia acting in concert will play the key role. So will the individual policies of Japan, China, the Soviet Union, and the United States. But the relationship of these elements to each other is not yet clear. They will depend largely upon decisions still to be made. I would like to discuss the more salient problems involved, and their implications for American policy.

18. United States Foreign Policy, 1969-70: A Report of the Secretary of State,
Department of State publication, March 26, 1971, pp. 35-63

East Asia and the Pacific

East Asia has been the scene of much change and great progress. Severe problems remain, of course, which cannot be underestimated. The Communist threat persists. The area confronts urgent needs: for economic development, for social change, and for measures to restrain an already vast and growing population. Nonetheless, the hallmark of recent years in East Asia has been the region's quickening momentum.

Japan has become the third largest economic power in the world. Other Asian nations, such as the Republic of China, Korea, Singapore, Malaysia, and Thailand, have made impressive economic advances. Indonesia is making a remarkable comeback. And the Philippines, a leader in the "Green Revolution," has transformed itself from a rice-deficit to a rice-surplus nation. These, and other countries of East Asia, recognizing their interdependence, are beginning to work more closely for their common benefit.

In response to the continuing security threats in the area, East Asian leaders have shown an increasing willingness to assume greater responsibilities. And in the background, after a long period of withdrawal and internal turmoil, Peking seems to be taking a new look at its role in the world.

The ferment in East Asia has occurred at a time of shifting power relationships. We have moved from a post-World War II situation of two super powers to one where numerous power centers affect East Asia—notably the United States, Japan, mainland China, the Soviet Union.

These developments—an emergent, dynamic Asia and a shifting balance of power—demanded a new approach from us. The new approach which we have followed for the past two years has five major aspects:

—*The Nixon Doctrine.* The most important of these is the Nixon Doctrine set forth by the President at Guam in July 1969. Although this doctrine applies to all our international relationships, it has special meaning for East Asia. The President has stressed that the United States will remain a Pacific power and will continue to honor its commitments but will expect the Asian nations themselves to provide the primary manpower for their own defense.

—The Vietnamization Program. A major application of the Nixon Doctrine is the Vietnamization program, which is based on the awareness that the South Vietnamese can develop the indigenous strength to defend themselves and on a realization that a large American presence in South Vietnam might in the long run inhibit development of that indigenous strength. Although a negotiated settlement remains our aim, there has been no evidence to date that Hanoi is willing to negotiate seriously. If that unhappily proves to be the case, Vietnamization offers a way for U.S. military power to be withdrawn from Vietnam, while leaving the South Vietnamese people with the ability to determine their own future without outside interference.

—A Positive Approach on China. We have set out to improve our relationships with the People's Republic of China, in recognition that it will play a growing role in Asia. Although we have only a limited ability to influence Peking's attitudes, we are taking a number of steps toward a healthy relationship with the People's Republic of China and toward reducing the tensions and dangers latent in the current situation.

—A New Relationship With Japan. One of the most significant developments of the past two years has been establishment of the basis for an even closer relationship between the United States and Japan, a relationship crucial to the maintenance of peace in the Pacific. The understanding between President Nixon and Prime Minister Sato in late 1969, which includes plans to return administrative control of the Ryukyus to Japan in 1972, has set the stage for such long-term constructive cooperation.

—A More Restrained Diplomatic Style. Our new approach to Asia calls for a new diplomatic style. We will attempt, consistent with protection of our own interests, to reduce our official presence and visibility abroad. We will emphasize mutuality and multilateralism. We will encourage others to assume a greater share of the responsibilities for the security and economic development of the area.

THE NIXON DOCTRINE

The Nixon Doctrine sets out these three precepts:

“The United States will keep all its treaty commitments.

“We shall provide a shield if a nuclear power threatens the freedom of a nation allied with us or of a nation whose survival we consider vital to our security and the security of the region as a whole.

"In cases involving other types of aggression we shall furnish military and economic assistance when requested and as appropriate. But we shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defense."

This policy is in no sense a rationale for our withdrawal from Asia; it is a way for us to establish a better and more realistic basis of continuing our Asian role. We will remain a Pacific power, but we intend that our presence will be more in keeping with the changing situation in the area and that our diplomacy consequently will be more flexible.

We are implementing this new policy in many ways. The authorized level of our military personnel in East Asian countries was reduced from 740,000 in January 1969 to 509,000 at the end of 1970. By July 1971 this figure will be cut to 420,000 or less. The bulk of these reductions is from Vietnam (265,500), but cuts are also being made in Korea (20,000), Thailand (16,000), Japan (12,000), the Philippines (9,000), and elsewhere. At the same time, our East Asian allies have been increasing their capabilities. Their own armed forces now total 2.7 million, nearly twice the number 10 years ago. Their economic circumstances have also greatly improved.

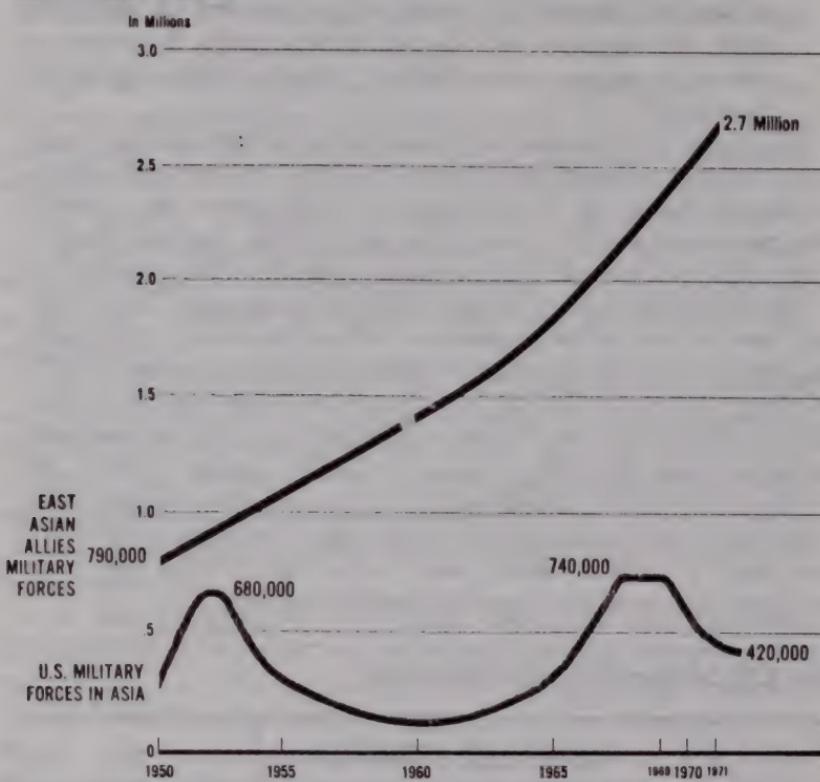
Key U.S. Military Personnel Reductions

	AUTHORIZED STRENGTH		REDUCTIONS
	JANUARY 1969	JUNE 1971	
VIETNAM	549,500	284,000*	-265,500
KOREA	63,000	43,000	-20,000
THAILAND	47,800	32,000	-15,800
JAPAN	39,000	27,000	-12,000
PHILIPPINES	28,000	18,900	-9,100

* BY MAY 1, 1971

The results of the Nixon Doctrine are most marked in Vietnam. Our troop withdrawals have contributed to a sharp decrease in U.S. casualties; the number of Americans killed in action declined from more than 14,000 in 1968 to about 4,000 in 1970. South Vietnam's regular armed forces have been increased to about a million men, compared with 800,000 two years ago. Volunteer defense forces have been expanded and armed. Countrywide security has greatly increased.

East Asian Forces



The President's decision to support operations against Hanoi's sanctuary areas in Cambodia also contributed to the reduction of casualties. And, by lessening potential threats against South Vietnam, it protected our objective of progressively turning over to the South Vietnamese the major responsibility for their defense.

The Nixon Doctrine relates not only to military burden-sharing but also to economic and political programs. These programs are less dramatic than what has happened in Vietnam or Cambodia, but in the long run they also will make a significant contribution to the objectives we and our Asian friends seek.

Perhaps the most striking example of this aspect of the Nixon Doctrine is the increased assistance which western Europe, Australia, Japan, and others are giving to the developing nations. The success of the efforts since 1967 of the Inter-Governmental Group on Indonesia—a solid example of multilateralism in action—attests to the future possibilities of such an approach.

This, then, is the setting for the progress which has been made by the nations of East Asia.

JAPAN

Our future relationship with Japan will be the most important single factor bearing on the success of U.S. policy in East Asia. In recognition of this fact, the Administration made several fundamental decisions to improve that relationship during the past two years. Foremost among these was the understanding reached in November 1969 between President Nixon and Prime Minister Sato that administrative authority over Okinawa and the other Ryukyu Islands, under U.S. administration since the end of World War II, would revert to Japan during 1972. The President described his decision on reversion as one of the most important he has taken. The Nixon-Sato understanding ends the last significant U.S.-Japanese issue pending from the Second World War.

Although the United States will relinquish administrative control over the Ryukyus to Japan, we will retain our essential military bases on the islands. These bases will operate under the provisions of the U.S.-Japan Treaty of Mutual Cooperation and Security in the same way as these now apply in Japan proper. Such an arrangement will, of course, place certain restraints on the use of our Okinawan bases, since we have agreed under the security treaty to consult with the Japanese Government prior to making major changes in the deployment of our forces or weapons or to using our bases for combat operations.

For its part, Japan will provide the necessary facilities and areas for our forces on Okinawa and will assume responsibility for the immediate defense of the Ryukyus. More fundamentally, however, in the joint communique announcing the agreement to return the Ryukyus to Japanese administration, Prime Minister Sato "stressed that it was important for the peace and security of the Far East that the United States should be in a position to carry out fully" its defense treaty obligations in the area. He stated that "the security of the Republic of Korea was essential to Japan's own security" and that "the maintenance of peace and security in the Taiwan area was . . . a most important factor for the security of Japan." Japan's clear recognition of its stake in the collective security of the Far East provides the foundation for our military bases in Japan, including Okinawa.

The return of the Ryukyus to Japanese administration in 1972 depends, to be sure, on the conclusion of negotiations now in progress on the range of political, economic, and military matters involved

in restoring full Japanese administration over the islands. We hope to conclude these complex negotiations in the spring of 1971 so that both governments can obtain the necessary legislative support and complete other preparations to accomplish reversion during 1972.

Our decision on the Ryukyus has already had a salutary effect on Japanese attitudes toward our security relationship. The security treaty of 1960 was scheduled in 1970 automatically to enter a phase in which it could be terminated upon one year's notification by either side. Opposition elements in Japan had long hoped to use this as an occasion to recreate the political turmoil which surrounded the treaty's ratification in 1960. But, after a campaign in which the security issue figured prominently, the Japanese Government scored an electoral victory in late 1969 and readily won public acceptance of its intention to maintain the security treaty with the United States in effect for an indefinite period. Disruptive efforts attracted little public response.

As a reflection of the Nixon Doctrine and changes in the political/military situation throughout East Asia, the U.S. and Japanese Governments jointly announced in December 1970 a program substantially to realign our bases in Japan over the next several months. This program will reduce U.S. personnel by some 12,000 to approximately 29,000. Major redeployments include the removal of two tactical air wings from bases at Yokota and Misawa, the scaling down of some of our larger facilities and their supporting activities, and reversion to Japanese control of some other bases, such as the Air Force establishment at Itazuke. This program is intended to preserve the essentials of our military capability in the area while reducing both the costs and the size of our forces in the most politically sensitive areas.

On the whole there is general understanding in Japan of the rationale for our policies.

The dramatic growth of the Japanese economy and the parallel development of our economic ties most closely exemplify the interdependence of our two countries. Two-way trade with Japan in 1970 reached a \$10.5 billion level, second only to our trade with Canada. Japan has also become our first billion-dollar customer for agricultural products. While trade has been increasing rapidly in both directions in recent years, the sharp increase in Japanese exports to the United States has produced large deficits for us in our bilateral trade accounts. In 1969 the deficit was \$1.4 billion; however, a high rate of increase in our exports to Japan last year reduced the deficit to less than \$1.2 billion in 1970. We are hopeful that the accelerated pace at which the Japanese Government is reducing its

quota restrictions—from 118 items in 1969 to less than 40 by September 1971—will enable U.S. exporters to continue to improve sales to Japan.

Japan is also making progress in relaxing its restrictions on foreign capital investments. The automobile industry, for example, is expected to be opened to foreign participation in April. A fourth round of capital liberalization is scheduled for September.

While Japan until recently has been slow in taking steps to liberalize trade and investments, we are pleased that there is movement in the right direction.

Rapidly growing imports of synthetic fibers and textiles have been a difficult problem for the United States. Japan is one of the major suppliers of these products. We have been seeking to arrive at an agreement with Japan to moderate the growth of its synthetic textile exports to us. Negotiations were initiated by the Administration in May 1969 in Tokyo and continued throughout 1969 into the summer of 1970 when they were temporarily suspended.

President Nixon and Prime Minister Sato agreed at their meeting in Washington in October to resume efforts to solve the issue. During the rest of the year American and Japanese negotiators met a number of times. At the end of 1970 the problem remained unresolved.

We have had, since 1961, a Cabinet-level joint U.S.-Japan Committee on Trade and Economic Affairs to promote economic collaboration, mutual trade, and economic assistance, and to eliminate conflicts in the international economic policies of the two countries. The seventh meeting of the Committee was held in Tokyo in July 1969. The U.S. delegation headed by Secretary Rogers met with the Japanese delegation led by Foreign Minister Aichi for two and a half days. They discussed cooperation in space, the state of the economies of each country, problems of trade imbalances, quota and investment restrictions and Japanese progress toward liberalization in these areas, developments in fisheries, aviation, travel, and questions of aid to developing countries. They agreed on the importance of promoting the principle of freer trade throughout the world and of consulting closely on a general preference scheme for developing countries. The U.S. delegation welcomed the declared intention of the Government of Japan to expand substantially its economic assistance, particularly to Asia. The Committee also agreed to establish a joint panel on transportation research, and a meeting of experts from each country is scheduled for May 1971 in Tokyo.

We have other bilateral agreements with Japan. In 1970 we agreed to exchange information on housing, mass transportation sys-

tems, and the development of an experimental safety vehicle. President Nixon and Prime Minister Sato agreed to intensify cooperation and the exchange of knowledge in environmental pollution control. The Chairman of the Council on Environmental Quality visited Japan in October 1970. The Japanese Government also decided to establish an Environmental Protection Ministry in July of this year. In 1969 we concluded an agreement with Japan to cooperate in its space development program, including the sale to Japan of items of hardware and technology.

Although there will doubtless continue to be points of difference, we share with Japan extensive areas of common economic interest, and our bilateral economic relationship is basically healthy. Moreover, there is every reason to expect that Japan will make a growing contribution to the political stability and economic development of Asia, and thus indirectly to a more stable security situation. We are cooperating closely with Japan and other nations in the Asian Development Bank, the Mekong Committee, and the U.N. Development Program. We have urged Japan to extend a great deal more economic assistance to Southeast Asia than it has thus far, and we look forward to expanded Japanese contributions to foreign aid programs.

PEOPLE'S REPUBLIC OF CHINA

In his appearance before the Senate Foreign Relations Committee in March 1969 the Secretary of State stated that it is in the U.S. interest to reduce longstanding tensions between the United States and the People's Republic of China, to seek to resolve our differences, and to move toward a more constructive relationship. He indicated that we would welcome a renewal of meetings to pursue such goals. He subsequently noted that the U.S. Government understood perfectly well that the existence of the Republic of China on the island of Taiwan and the People's Republic of China on the mainland were both facts of life. In a September 1969 speech to the U.N. General Assembly, President Nixon emphasized that we were ready to talk to the leaders of the People's Republic of China whenever they choose to abandon their self-imposed isolation.

To foster more contact and better relations, the President decided in the spring of 1969 to take a series of steps in the trade and travel fields which might improve our relations, attaching no demand for reciprocity:

—In July 1969 we relaxed restrictions on travel to permit almost any American citizen having a legitimate purpose other than tourism

to travel to mainland China. In 1969 and 1970 the number of passports validated for travel to China totaled 556 compared to 423 from April 1959 to the end of 1968.

—In July 1969 we also raised previous restrictions to permit non-commercial tourist importations of mainland Chinese goods up to a value of \$100.

—In December 1969 we removed the \$100 ceiling and further altered the regulations to permit foreign subsidiaries of U.S. firms to trade with mainland China in nonstrategic goods.

—Beginning in April 1970 we announced selective licensing of American-made components and spare parts for nonstrategic foreign goods exported to mainland China.

—In August 1970 we lifted the prohibition preventing American oil companies abroad from supplying their foreign-produced oil to free world ships bearing nonstrategic cargoes to Chinese ports.

Not unexpectedly Peking failed to respond directly to these steps. Nevertheless, in his December 10, 1970, press conference, the President stated that the initiatives we had taken in relaxing trade and travel restrictions would continue.

After a one-year hiatus, our first ambassadorial-level meeting with the People's Republic of China had been scheduled for February 20, 1969, in Warsaw. However, the meeting was canceled by the Chinese at the last minute. We expressed our regret over the cancellation, noting that we had been prepared to put forward a number of suggestions for improvement of relations. We also expressed our readiness to resume the meetings at any time. In August 1969 the Secretary of State again expressed our regret that the talks had been interrupted and our hope that the dialogue might be resumed. The Chinese agreed in the fall to resume and the first meeting was held on January 20, 1970. A second meeting was held a month later. A third, scheduled for May 20, 1970, was canceled by the Chinese. It is our hope that these meetings will be resumed and that they might among other things enhance the possibilities for exchanges in the academic, medical, journalistic, and trade fields. We also look on these meetings as a channel of communication for matters of vital interest to both sides. Progress in such discussions may be slow and uncertain, but the effort must be made.

As the Cultural Revolution drew to a close in mid-1969, Peking began selective efforts to normalize its relations with the outside world. During 1970 these efforts resulted in the establishment of diplomatic relations with Canada, Italy, Equatorial Guinea, and Ethiopia. Although Canada and Italy broke relations with the Republic of China when they recognized the People's Republic of China

(Equatorial Guinea and Ethiopia had earlier recognized neither government), none of the four endorsed explicitly Peking's claim to Taiwan.

When consulted during these developments we have taken the view that the establishment of diplomatic relations with Peking is essentially a matter for each country to decide in the light of its own interests. But we have also expressed the view that the interests of the Government of the Republic of China, which has played a peaceful and constructive role in the world community, should not be sacrificed.

Taking into account developments in our China policy, as well as the situation in the United Nations, the Administration in late 1970 initiated a full-scale review of our policy on the Chinese representation issue. The review had not been completed when the year ended. (For a further discussion of the issue of Chinese representation, see the chapter on the United Nations.)

For several years Communist China has been preoccupied in its external affairs with serious border and ideological disputes with the Soviet Union. As the Secretary of State said in August 1969, we have no intention of seeking to exploit that dispute for our own purposes, nor do we intend to permit it to interfere with our efforts to improve relations with both countries.

In 1964 Peking detonated its first nuclear device. In 1967 it began to test hydrogen weapons. At the same time it pressed ahead with the development of a missile delivery capability. By the middle 1970's it may begin deployment of an intercontinental ballistic missile system.

REPUBLIC OF CHINA

Relations between the United States and the Republic of China continue to be close, although that government has not favored our efforts to bring about more normal relationships with Communist China.

Our basic defense commitment to the Republic of China is contained in the Mutual Defense Treaty of 1954, which commits the United States to take action, in accordance with its constitutional processes, to meet an external attack against Taiwan and the Pescadores. The United States will not, in taking steps to improve relations with Communist China, alter our treaty relationship or associations with the Republic of China. The Secretary of State gave such assurances to President Chiang Kai-shek during the Secretary's visit

to Taiwan in August 1969. They have since been reiterated. We also undertook energetic diplomatic efforts during 1969 and 1970 to insure that the Republic of China—whose population of 14.5 million is greater than that of two-thirds of the other members—retained its membership in the United Nations. We intend to continue to oppose attempts to deprive it of its place in the United Nations.

Effective use of earlier U.S. aid by imaginative economic planners and administrators within the Republic of China's Government, as well as the considerable talents of a hard-working people, have made it possible for the Republic of China not only to become one of the first countries in Asia no longer needing economic assistance (aid ended in 1965) but also to embark on a course of self-sustained growth and development toward a modern, industrial society. The standard of living of the average citizen of Taiwan, in sharp contrast to the situation on the mainland, has continued to improve strikingly. Gross national product increased in 1970 by 10 percent in real terms; per capita income increased 7.6 percent to approximately \$292.

The twin engines of the economic growth of Taiwan have been trade and foreign direct investment. The value of foreign investment has grown more than 250 percent in the last three years. American investors, chiefly in electronics and chemicals, have provided about half of the new investment during the period 1952-70. Special efforts by the Government of the Republic of China to encourage both foreign and domestic investment in export-oriented industries have caused Taiwan's foreign trade to increase six and a half times in 10 years. The United States is also the most important trading partner of the Republic of China. American imports from that country, however, are growing at a somewhat more rapid rate than our exports to it. To strengthen our trade position, we held a successful exhibition of advanced American industrial machinery in Taipei in November 1970 and we are conducting other export-promotion activities.

Scientific and technological advances have spurred the growth and diversification of industry and trade in the Republic of China. In addition to the private U.S. transfer of technology to Taiwan through investment and licensing, the U.S. Government entered into a Cooperative Science Program with the Republic of China on January 23, 1969, to increase cooperation between scientists, engineers, scholars, and institutions of research and higher learning, and to use the special facilities available in each country. In addition, under a successful State Department pilot project, an outstanding American scientist was appointed Special Assistant to our Ambassador for sci-

ence and technology, and has helped the Chinese to apply technology in areas of high potential return.

The continuing growth of Taiwan's economy has made it possible for the Republic of China to expand its efforts to help other countries. Since 1961, agricultural demonstrations, organized under its "Vanguard" program, have provided grassroots technical assistance, primarily in Africa, but also in Latin America and Southeast Asia. Since 1968 the United States has given partial local-currency support to this program, which now operates in 27 countries.

REPUBLIC OF KOREA

The increased economic and military capabilities of the Republic of Korea were among the factors which led to the Administration's decision in 1970 to reduce the authorized strength of U.S. troops in Korea from 63,000 to 43,000 by the end of June 1971.

Our decision evoked intense debate in the Korean public press and government, which remain apprehensive about North Korean intentions, and led to efforts to persuade us to postpone the decision. We made it clear that the U.S. defense commitment to Korea remains firm. We also pointed out that the strong Korean forces of about 600,000 men, augmented by U.S. forces remaining in Korea and by U.S. capabilities elsewhere in the region, constitute a highly visible deterrent to North Korea. At the same time we recognized the necessity for modernizing the Korean Armed Forces and assured the Republic of Korea that, subject to congressional approval, we will continue to work with them on a modernization program. In December 1970 the Congress approved \$150 million in Supplemental Military Assistance Program funds for the modernization program.

North Korean statements and actions continued to be a matter of concern. The North Korean regime's attempt to infiltrate the South, never very successful in the past, involved fewer incidents and less violence in 1969-70 than in the immediately preceding years. But during 1969 two serious incidents involving North Korean Armed Forces created difficult problems for the United States. On April 15, 1969, the North Koreans shot down a U.S. EC-121 reconnaissance aircraft over international waters east of the North Korean-Soviet border with the loss of the entire crew. After careful consideration of alternate courses of action, the President confined himself to warning the North Koreans against a repetition, at the same time authorizing the continuation of such reconnaissance flights under protective cover.

On August 17, 1969, a small unarmed U.S. Army helicopter was shot down when it strayed over North Korea near the Demilitarized Zone. Negotiations for the release of the three crew members were conducted at public and private meetings of the Senior Members of the Military Armistice Commission at Panmunjom. After difficult negotiations the men were released on December 3, 1969. The U.N. Command Senior Member, a U.S. officer, signed a statement prepared by the North Koreans saying that the helicopter had illegally violated North Korean airspace on an "espionage" mission. Signature of the document was authorized for humanitarian reasons in order to secure the men's release. As soon as the men had been safely returned, the U.S. officer repudiated those parts of the document which were not in accord with the facts.

Korea's economic progress continues to be one of the important success stories in Asia. The real annual growth rate of GNP has been one of the highest in the world, averaging over 12 percent in 1966-69 and reaching nearly 10 percent in 1970. However, the Korean Government is keenly aware of inflation and foreign debt problems, and is taking remedial measures both on its own and in conjunction with the International Monetary Fund.

Ties between the United States and the Republic of Korea were strengthened by the visit to Korea of the Secretary of State in early August 1969, and by the meeting between President Nixon and President Park in San Francisco later the same month. After the August 1970 visit of Vice President Agnew to Seoul, discussions on troop reductions and Korean military modernization accelerated. In multilateral discussions among allied nations fighting in Vietnam, the Secretary conferred with Korean officials. The Republic of Korea has maintained some 50,000 troops in Vietnam.

INDOCHINA

Vietnam

The Paris Talks. Early in 1969 the Administration announced our desire to negotiate a solution to the Vietnamese war through the Paris talks. During the past two years the attempt to reach a negotiated settlement has remained the Administration's preferred solution. President Nixon's proposals of May 14, 1969, set forth a peace program which included an offer to negotiate an internationally verified withdrawal of all outside forces within one year, internationally supervised cease-fires, and internationally supervised elections in which all South Vietnamese would participate under agreed procedures.

We and the Government of the Republic of Vietnam pledged to abide by the results of these elections no matter what they might be.

On October 7, 1970, the President undertook a second major negotiating initiative, this time proposing an immediate cease-fire in place throughout Indochina, an immediate and unconditional release of prisoners of war, convocation of an Indochina Peace Conference, and a political settlement that met the aspirations of "all" South Vietnamese. He expressed our willingness to negotiate an agreed timetable for complete withdrawals as part of an overall settlement.

In the course of meetings in Paris, through diplomatic contacts with third countries, and through private individuals in whom the other side had confidence, we have made a determined effort to persuade North Vietnam to engage in serious negotiations. In so doing we have said that we were prepared without preconditions to discuss the proposals of the other side as well as our own. We repeatedly made it clear that we considered everything negotiable except the opportunity for the people of South Vietnam to determine their own future.

Unfortunately North Vietnam has on no occasion indicated that it was prepared to negotiate a reasonable settlement. Its position, contained in the National Liberation Front's 10-point program presented in May 1969 and the eight-point "elaboration" in September 1970, remained in essence to insist, as preconditions to negotiations, that the United States unconditionally withdraw all its forces from Vietnam and that the leaders of the Government of the Republic of Vietnam be replaced by a "coalition" government arranged under a formula designed to lead to Communist domination. This, of course, is not a basis for negotiation, but a demand for capitulation. It remains our hope—although there has been no evidence of it as yet—that, as South Vietnam becomes stronger, the incentive for North Vietnam to negotiate seriously will be increased.

Vietnamization. At the beginning of 1969, non-South Vietnamese forces in South Vietnam, including those of the enemy as well as U.S. and other allied forces, were all at their highest levels. A program had been initiated to modernize and expand Vietnamese armed forces to enable them to deal with the Viet Cong when North Vietnamese forces no longer would be involved. However, progress was slow, and no specific provision had yet been made for assumption of the fighting burden against the North Vietnamese by a modernized Vietnamese army. After a careful review, the Administration determined that a major change in policy which both complemented and provided an alternative to negotiation was in order.

The "Vietnamization" policy to change the character of the war,

encourage the South Vietnamese to assume more responsibility, and concurrently reduce and in time terminate the U.S. combat role ensued. The policy was designed to be carried out regardless of whether North Vietnam negotiated seriously or not.

In March 1969 the President ordered a substantial increase in our contribution to the training and equipment of South Vietnamese forces. He also directed that plans be drawn up, in consultation with the Government of Vietnam and other allies, for an orderly replacement of U.S. forces which would take into continuing account the ability of the Vietnamese to assume a heavier burden, the level of enemy activity, and the negotiations at Paris. On June 8, 1969, the President announced the first withdrawal under this policy. In five successive increments, the authorized U.S. troop level in Vietnam was reduced by 205,000 men at the end of 1970. By May 1, 1971, the authorized troop level will be 284,000, as compared with the peak authorized strength of 549,500 when this Administration took office.

In the absence of progress in Paris, specific decisions on further U.S. troop withdrawals will continue to be made in the context of North Vietnam's military responses and progress in South Vietnam's capabilities. The Administration remains confident that the course on which it is headed is the right one and that progress on withdrawal will continue without interruption.

During this difficult period of talking in Paris and of fighting in Vietnam while withdrawing our troops, the Government has continued to do what is needed to assure the security of allied and U.S. forces in Vietnam. One necessary measure is the aerial reconnaissance carried out over North Vietnam. When the understanding on the cessation of bombing of the North was worked out by the previous Administration in November 1968, North Vietnam's insistence that the United States cease all "acts of war" was restated by U.S. negotiators to stipulate that the United States would thereafter cease all "acts of force," and the right of reconnaissance was specifically preserved. Since that time, reconnaissance flights have continued, and U.S. pilots have been authorized to engage missile and antiaircraft installations as necessary to protect pilots and aircraft on these missions. In accordance with his declaration on November 3, 1969, President Nixon has also retained the option to take other military measures if increased enemy action were to jeopardize our remaining forces.

Decreasing U.S. military expenditures in Vietnam and increasing South Vietnamese mobilization and costs are placing heavy strains on a Vietnamese economy already burdened by war. An import tax

decreed in October 1969 with our support to augment government revenues added to inflationary pressures. So have the larger budgetary deficits arising from increases in Vietnamese military expenditures. Because of these and other factors, the South Vietnamese mounted a concerted effort in late 1970 to control inflation. The Vietnamese Government announced a broad economic reform program in October, including major changes in the exchange rate. The Administration sought and received \$50 million in supplemental economic aid funds from the Congress. Nevertheless, overall economic aid to Southeast Asia will increase by less than \$500 million between fiscal 1969 and 1971. During the same period, costs arising from the additional demands of the Vietnam war are expected to decline from \$22 billion to about half that amount.

As the level of hostilities declines in Vietnam, the country finds itself with a vastly improved infrastructure—roads, airfields, seaports—on which to base an economic development program. New skills acquired by the labor force and considerable experience gained by the bureaucracy add to the vital human resources required for such a program. Within the past year a "land-to-the-tiller" law has been passed, which is expected virtually to abolish farm tenancy in Vietnam. Implementation began in the late summer of 1970 and is expected to be completed in about three years. Recent announcements by the Japanese and Australian Governments of stepped-up economic assistance to Vietnam over the next few years and a surge in private investment are other promising developments in the economic field.

Pacification and Political Development. In 1969 and 1970 the Government of South Vietnam made progress in its efforts to provide security for its people. The Government steadily expanded its territorial security, and the administrative presence of the central government in the countryside was increased. At the same time local village and hamlet governments were granted additional power through elections of local officials and self-development programs in which the villagers themselves decide how to use central government-granted funds.

There was also heightened political activity in South Vietnam in 1970. Elections were held at every level of government: for hamlet chiefs and/or village councils, for provincial and municipal councils, and for one-half of the membership of the upper house of the National Assembly.

The upper house election in August, the first national election since 1967, was a hard-fought contest. Some 160 candidates, running on slates of 10 candidates each, competed for 30 Senate seats.

The defeated candidates and a healthily skeptical press corps generally conceded the fairness of the election, in which an opposition group won first place. The other two winning slates represented pro-government and independent viewpoints. Interest is already high in the important lower house and presidential elections to be held later this year.

Prisoners of War. The fate and welfare of American prisoners of war and missing personnel in Southeast Asia have been a matter of increasingly urgent concern to the Administration. Some 1,600 Americans, including about 40 civilians, are missing or in captivity in North Vietnam, South Vietnam, Laos, and Cambodia—some for as long as six years and in many cases with no word to their families. We have raised this question repeatedly in the Paris negotiations, but the other side's response has been consistently negative.

In his Indochina peace initiative on October 7, 1970, the President proposed the immediate release of all prisoners of war on both sides. On December 10, 1970, the Government of South Vietnam with our support proposed the release of all North Vietnamese prisoners of war in return for the release of all U.S. and allied prisoners in Indochina and any South Vietnamese prisoners held outside South Vietnam. All such initiatives have been rejected.

Pursuant to the Geneva Prisoner of War Convention of 1949—by which North Vietnam as well as South Vietnam, the United States, and the other countries with forces in Southeast Asia are bound—the Republic of Vietnam has taken many steps to assure that enemy prisoners of war are treated humanely. There are now some 38,000 enemy prisoners of war in South Vietnam, over 9,000 of them North Vietnamese, held in six prisoner of war camps which are regularly inspected by doctors and delegates of the International Committee of the Red Cross. Where inspections have called for improvements, they have been made. Despite repeated requests, North Vietnamese authorities have refused to allow similar inspections of their prisoner of war facilities, nor have they provided the names of all prisoners of war as required by the Geneva Convention. Fulfilling another Convention requirement, South Vietnam, with our support, regularly initiates release of sick and wounded prisoners of war to North Vietnam.

The plight of our prisoners has been the subject of continuing diplomatic efforts. We have been supported by a wide range of governments and organizations, including some who disagree with U.S. policy on other aspects of the Vietnam conflict. We have welcomed these efforts and regret they have found but minimal response from the other side. The United Nations on December 9, 1970, passed a resolution calling for compliance with the Geneva

Convention. The International Red Cross has adopted similar positions, with overwhelming international support.

Faced with the other side's intransigence, the United States in November 1970 launched the dramatic rescue attempt at Son Tay in North Vietnam. We knew there were risks, for the prisoners and for the men who carried out this mission. Set against those risks was the knowledge that the other side had given no sign of readiness to resolve this subject, as it should be, on a humane basis. We took the risk, as we believe the men who are prisoners would want us to have done. It was of course a deep disappointment that the prisoners had been moved before the rescue attempt.

Our efforts on behalf of our men will continue until all are released and the fullest possible accounting is obtained of the dead and missing.

Cambodia (Khmer Republic)

Although Cambodian territory for many years had been clandestinely used by the North Vietnamese in their war against South Vietnam, Cambodia itself until early in 1970 had remained generally free of the conflict with North Vietnam in which Laos and South Vietnam were engaged. The Cambodian Government's conclusion that the situation had become intolerable sharply changed the policies of Cambodia toward its neighbors. North Vietnamese troops in Cambodia then made a direct assault upon the country.

Cambodia had broken diplomatic relations with the United States in May 1965. Late in 1968, a Cambodian desire to improve relations had become evident, and the new Administration promptly responded. On April 16, 1969, following patterns previously set by the United Kingdom, Japan, Australia, and more than 40 other nations, we delivered to the Cambodian Government a statement declaring that, "In conformity with the United Nations Charter, the United States of America recognizes and respects the sovereignty, independence, neutrality, and territorial integrity of the Kingdom of Cambodia within its present frontiers."

Reestablishment of diplomatic relations followed on July 2, 1969, and a U.S. Embassy in Phnom Penh, headed by a Chargé d'Affaires, was opened on August 16.

In January of 1970, Prince Sihanouk left Cambodia for what was originally a rest cure in France, leaving Cheng Heng, President of the National Assembly, as acting chief of state and Lon Nol as Prime Minister. Two months later the Prince was deposed by the Assembly

and the Council of the Kingdom, following a period of disagreement with the Prince over economic and administrative matters.

Prior to his deposition both Prince Sihanouk and the Government had grown increasingly concerned over North Vietnamese and Viet Cong control of Cambodian territory in the sanctuary areas along the South Vietnamese border. Sihanouk was deposed during a trip to Moscow and Peking to seek the removal of these troops. Shortly thereafter, Hanoi rejected efforts by the Cambodian Government to negotiate the withdrawal of Communist troops.

In early April North Vietnamese troops in Cambodia, faced with a Cambodian Government no longer willing to acquiesce in their presence, began to expand their control over the eastern and southern areas of Cambodia from which they had long supplied and directed their main efforts against South Vietnam. Repeated requests by the Cambodian Government to negotiate with Hanoi for the removal of its troops were rebuffed, and other diplomatic efforts also failed to produce negotiations or a peaceful settlement.

After consultation with his chief diplomatic and military advisers, the President on April 30 announced that he had ordered American forces in Vietnam to assist South Vietnamese forces in attacking the sanctuary areas in order to capture and destroy as many supplies as possible, inflict military damage on North Vietnamese troops, and disrupt North Vietnam's main command and control center. He stated that the action was being taken to prevent the development of increased threats to American troops in Vietnam and the success of the Vietnamization program that could result from an expanded, contiguous North Vietnamese base area in Cambodia. He emphasized that our action would be limited in area, duration, and objective, and that we were not seeking to broaden the war but rather to help assure the success of our previously established policies directed toward its early end. On June 30, the end of the period established by the President, the last American ground troops were withdrawn from Cambodia.

Developments in South Vietnam in the second half of 1970 confirmed the soundness of the decision to attack the enemy in his Cambodian sanctuaries. Enemy capabilities in Vietnam were significantly reduced, pacification programs advanced, and U.S. casualty rates declined.

In taking the decision to assault the North Vietnamese sanctuaries, the Administration specified that it was not assuming a commitment to the military defense of the Cambodian Government. It reiterated U.S. support of the announced policy of the Cambodian Government to remain neutral. In a speech in San Francisco on

June 29, Secretary of State Rogers further emphasized our interest in this respect by stating that we would not favor Cambodia, which had originally been a "protocol" state, becoming reassociated with SEATO. SEATO members in a subsequent meeting in Manila confirmed this as SEATO policy as well.

During the same period the United States responded to Cambodia's pleas for military supplies necessary to enable it to resist the North Vietnamese attacks then being launched widely against Cambodian cities. From fiscal 1970 funds, \$8.9 million was authorized for expenditure on small arms and other materials for Cambodia, and arrangements were made for transfer of captured North Vietnamese weapons identical with those used by the Cambodian Army. In fiscal 1971, a total of \$100 million was ultimately transferred from other foreign aid funds in order to continue military assistance. In December Congress agreed to an Administration request for a supplemental appropriation containing an additional \$85 million in military assistance and \$70 million in economic aid funds for Cambodia, as well as the \$100 million to replace the funds taken from other programs.

The military assistance program, some 70 percent of which represents ammunition and aerial ordnance, consists of items which the Cambodian armed forces can readily use without extensive training. At the same time, basic infantry and unit training for the rapidly expanding Cambodian armed forces—which grew by voluntary recruitment from under 40,000 in March 1970 to some 200,000 in January 1971—is being provided principally by Cambodia itself and its neighbors, South Vietnam and Thailand, with limited U.S. financial support.

On the withdrawal of U.S. troops from the sanctuary areas, some South Vietnamese forces continued to operate there to prevent the reestablishment of an enemy presence. The United States continued air operations against enemy troops, supplies, and lines of communication in Cambodia. Ultimately, it also provided limited air combat and logistic support for South Vietnamese forces operating there. In December the Administration, in spite of reservations about circumscribing executive authority, confirmed that its policies in no way conflicted with proposed legislation, and the Congress enacted legislative restrictions on U.S. military activities in Cambodia barring the introduction of U.S. ground combat troops or advisers.

Meanwhile, the United States continued to support the restoration of Cambodian territorial integrity and the protection of Cam-

bodian independence and neutrality. During a visit to Saigon in July 1970, the Secretary of State met there with the Cambodian Foreign Minister, and the Assistant Secretary for East Asian and Pacific Affairs visited Phnom Penh. The Vice President visited Cambodia in August. The Secretary and the President met with the Cambodian Chief of State and the Foreign Minister in Washington in October.

In October Cambodia officially changed its name and form of government to become the Khmer Republic. This change resulted from Khmer nationalism and the unity of broad social elements—army, civil service, students, intellectuals, Buddhist monks—in support of the republican government and in opposition to the North Vietnamese invasion.

Laos

For two decades Laos has been unable to establish a stable internal situation because of the presence on Lao soil of North Vietnamese troops—about 90,000 at the end of 1970—whose dual objectives are to facilitate the flow of men and supplies to South Vietnam and to fight a war for control of northern Laos on behalf of the Communist Lao Patriotic Front. The 1962 Geneva Agreement for an independent and neutral Laos, to which both the United States and North Vietnam were parties, has never been observed by North Vietnam.

The Administration's policy toward Laos, like that of previous Administrations, is founded on the assumption that the interests of the United States and of Laos itself are best served by a neutral, independent Laos. We have sought not to align the Lao Government with the United States but to help it preserve its independence and to keep alive multilateral support for its position.

Despite North Vietnam's refusal to observe its obligations under the 1962 agreements, it has been our aim to preserve the structure of those agreements and to seek their full implementation. Our desire to preserve the neutrality of Laos while helping it to resist military attacks has faced us with complex issues in responding to the Royal Lao Government's requests for assistance in the face of North Vietnamese military activities on Lao soil.

American assistance has contained both military and economic elements in an effort to contain North Vietnamese aggression and preserve a neutral Laos within the framework of the Geneva Agreements.

With the consent of the Lao Government we also have continued to conduct and, since the North Vietnamese attack on Cambodia,

have expanded air operations to interdict the flow of troops and supplies across Lao territory on the Ho Chi Minh Trail. The rapid buildup of North Vietnamese troops in south Laos since last fall shows that, since the shutoff of their access route to the sea across Cambodia, the North Vietnamese have relied increasingly on the Trail through Laos.

We have continued to carry out reconnaissance flights in northern Laos. And we have continued to fly support missions for Lao forces as requested by the Government; those missions were augmented during North Vietnam's February-May 1970 dry season offensive, but subsequently reduced. In that offensive, elements of two North Vietnamese divisions had pushed west and southwest of the Plain of Jars, occupying large areas which had traditionally been held by Government forces, and threatened the regional headquarters of the Royal Lao Army at Long Tieng.

Lao Prime Minister Souvanna Phouma has long been prepared, without preconditions, to hold internal talks with the Communist Lao Patriotic Front. In response to the Front's peace proposal of March 6, 1970, he called for an immediate cease-fire and withdrawal of all foreign forces under International Control Commission supervision and proposed a meeting of all interested parties to discuss their differences. He has met several times for preliminary discussions with the special envoy dispatched to Vientiane by the Lao Patriotic Front in an endeavor to reach agreement on the arrangements for further stages of the talks. Souvanna has repeatedly offered positive guarantees of security—including a role for the International Control Commission—for holding talks on neutral ground in the Plain of Jars area. We support this effort to assure reasonable and equitable security provisions.

The Pursuit of Peace

In addition to seeking a negotiated settlement of the conflict in Vietnam, the Administration has been receptive to efforts to negotiate a settlement of the conflict in Indochina as a whole. It has also supported separate efforts in connection with Laos and Cambodia. We have ourselves initiated attempts to achieve serious negotiations in several forums, including the President's proposal for an Indochina Peace Conference, and we have welcomed the efforts of third parties to get talks started. We are wedded to no dogmas and no particular formulas.

We strongly endorsed Prime Minister Souvanna Phouma's call in

February 1970 for the consultations on Laos specified in the 1962 Geneva Accords. President Nixon, in personal communications, thereafter asked each of the signatories of these accords—including Communist China and North Vietnam—to agree to consultations. We have supported the Prime Minister's attempts since January of last year to reach agreement with the Communist Lao on getting internal Lao talks started.

We supported the French proposal of April 1970 for wider negotiations on Indochina, and endorsed similar proposals by the United Kingdom, New Zealand, and other countries. We noted with interest the favorable reference to the idea of a broad negotiation expressed at the time by the Soviet Ambassador to the United Nations but were disappointed in the Soviet Government's reversal of that position. We welcomed U.N. Secretary General U Thant's suggestion in May 1970 for a conference on Indochina. We strongly supported the initiative of the 11 Asian nations at Djakarta in May 1970 that called for preservation of Cambodia's neutrality and independence, reactivation of the International Control Commission, and an international conference on Indochina. And we favored Cambodian efforts both before and after the deposition of Prince Sihanouk to negotiate a peaceful withdrawal of North Vietnamese forces from Cambodia.

Our hope continues to be that meaningful negotiations will occur and lead to peace settlements in Southeast Asia. The progressive strengthening of South Vietnam, the nationalism of the Khmer Republic, and the ability of Laos to withstand great military pressures for so long a time give support to the concept that the countries of Southeast Asia, with outside material assistance, will be able to maintain their own security by force of arms if necessary. But peace agreements would release the energies of all concerned for constructive tasks. We shall continue to urge the pursuit of this objective.

SOUTHEAST ASIA

Thailand

A key factor in the security and development of Southeast Asia is the close relationship which the United States maintains with Thailand. Allied with us through SEATO, Thailand continues to make available air bases and facilities for U.S. air operations in Southeast Asia and to cooperate with the United States in a wide range of security matters in the area. The Thai Government has

announced plans to withdraw its army forces from South Vietnam beginning this year, because of the progress of Vietnamization and the continuing need for experienced military personnel in Thailand, also subject to insurgency supported and inspired by Communist China and to some extent North Vietnam.

In accordance with the Nixon Doctrine and in consultation with the Thai Government, we decided that the reduced level of air operations over Vietnam permitted us to reduce the U.S. military presence in Thailand. On September 30, 1969, the President and the Thai Prime Minister announced that 6,000 of the 48,000 U.S. military personnel then in Thailand would be withdrawn by July 1, 1970. That goal was met. An additional 9,800 personnel will be withdrawn by June 30, 1971.

Thailand remains concerned about its future security in the light of the experience of Vietnam, Laos, and Cambodia. On several occasions in 1969 and 1970, the President, the Vice President, and the Secretary of State have reaffirmed the determination of the United States to honor its SEATO commitment to meet the common danger in accordance with its constitutional processes in the event of Communist aggression.

At the same time, the Royal Thai Government has made clear that it supports the Nixon Doctrine and intends to carry out the struggle against insurgency in Thailand without requesting forces from the United States. It does, however, wish the United States to continue to provide economic and military aid to support the Thai Government's own efforts. The United States has assured the Thai Government that it intends to continue providing such assistance. Grant economic and military assistance to Thailand in the last two fiscal years (1969 and 1970) was valued at approximately \$200 million.

Communist-led insurgency broke out in northeast Thailand in 1965, and in the far north in 1967. Although this insurgency has failed to develop widespread support, the insurgents are continuing their program of propaganda, terror, and harassment of Thai officials, seeking to expand their areas of influence and, ultimately, to overthrow the Government. In the far south the remnants of the Malayan Communist insurgents also established themselves on Thai territory in the late 1950's. Although ostensibly targeted against Malaysia, these insurgents clashed on a number of occasions with Thai security forces during 1970. The total number of armed insurgents in Thailand is estimated at a little more than 5,000.

The Administration maintains the closest consultation with Thailand to assure that adjustments to the changing conditions in South-

east Asia are made with maximum harmony and cooperation. In particular we have remained in close consultation on the future of Thai forces in Vietnam and of U.S. forces in Thailand, and on measures to achieve shared objectives in Vietnam, Laos, and Cambodia.

Following conversations between the Thai and Cambodian Foreign Ministers in Bangkok in May 1970, diplomatic relations between the two countries were renewed for the first time since 1961, and ambassadors have since been exchanged. Thailand has provided military training for Cambodians in Thailand.

• An important aspect of the continuing process of consultation with the Royal Thai Government has been a number of high-level visits by leaders of the Administration to Bangkok. The most important of these visitors were the President in July of 1969, Vice President Agnew twice in 1970, and the Secretary of State in March of 1969 in connection with the annual SEATO Council meeting.

For the first time in more than a decade, national elections took place in Thailand in 1969, when contested elections were held for a new Lower House.

Burma

The Administration has continued the longstanding U.S. policy of respecting the Burmese Government's nonaligned foreign policy and its desire to deal with its internal problems in its own way without outside interference. We support its objectives of maintaining Burma's independence and territorial integrity and of reestablishing internal stability. The U.S. presence in Burma is small and, in accordance with the wishes of the Burmese Government, we have no plans for new U.S. programs there. During the past 12 months, however, the U.S. cultural program in Burma, heretofore limited, has been active.

The program included the Duke Ellington and Count Basie orchestras, the Apollo XII astronauts, several athletes, a moonrock exhibit, a scientist, and several educational exhibits. We hope to continue such cultural and educational contacts with Burma.

Malaysia and Singapore

In 1970 there was a smooth transition in Malaysia's government when Tun Razak succeeded to the Prime Ministership. Parliamentary government, suspended in 1969 as a result of communal disorders, was restored in February 1971.

Of great concern to Malaysia has been the question of disposals

from the surplus of our national strategic stockpile of rubber and tin, commodities which are Malaysia's chief exports. During 1969 and 1970 we commercially sold 48,322 long tons of rubber. There were no tin sales. The timing and quantities of these sales were modified to take into account the views of the Malaysian Government and other producers. We have continued to consult regularly on these matters with the Malaysian Government.

As with Malaysia, our relations with Singapore are marked by friendly ties and common interests. U.S. private investment continues to flow into this small island republic at a fast rate. More than 300 U.S. firms are there now, and our present investment is \$203 million. (Another \$140 million is already planned by Americans for investment over the next few years.) Singapore's overall record both in economic growth and in population control is extraordinarily good. Last year GNP grew by almost 14 percent while population growth declined to 1.5 percent.

It is our hope that the decision of both nations to join with Australia, New Zealand, and the United Kingdom in the Five Power Defense Arrangement for the Malaysia-Singapore region will help contribute to future stability in Southeast Asia.

Both Singapore's Prime Minister and Malaysia's Deputy Prime Minister made informal and unofficial visits to Washington during the fall of 1970 and met with high officials of the Department.

Indonesia

Indonesia, with about half the area and population of Southeast Asia, has great material and human resources, and therefore the potential to play a major role in the region. We believe that the pragmatic and cooperative approach of Indonesia's new leadership insures that the country's role will be a constructive one, contributing to the building of a peaceful, prosperous Southeast Asia.

Through its own determined efforts and with multilateral assistance from international agencies and foreign governments in the Inter-Governmental Group on Indonesia (IGGI), Indonesia succeeded in the late 1960's in bringing rampant inflation under control more swiftly than had been thought possible.

Heartened by this impressive performance in economic stabilization, the United States and other member nations of the Inter-Governmental Group are supporting Indonesia's development efforts with about \$600 million of aid during the period from January 1, 1970, to March 31, 1971. The U.S. share including surplus food

is \$230 million. At the most recent Group meeting, held in December 1970 in the Netherlands, the United States pledged one-third of the \$375 million in 1971-72 bilateral nonfood aid requirements and a "fair share" of the approximately \$160 million in food aid requirements. Under this arrangement our assistance has included an annual pledge of \$30-\$40 million for commodity import loans, a like amount for the import of Public Law 480 yarn and cotton, and about \$100 million for Public Law 480 food aid. With its greater financial stability, Indonesia in 1969 shifted its emphasis from stabilization to economic development. Our assistance in this field has included aid to electric power rehabilitation, a fertilizer plant, and a cement plant.

Another demonstration of confidence in Indonesia's future was the April 1970 agreement by the "Paris Club," made up of Indonesia's major creditors (other than the Soviet Union and its allies), to stretch over a 30-year period repayment of the \$2.1 billion external debt Indonesia inherited from the Sukarno regime. We concurred with respect to the \$215.6 million owed to the United States. Using this model, Indonesia is rescheduling its debts with all countries; it signed its first non-Paris Club debt agreement in August 1970 with the Soviet Union. Resolution of the debt problem restores Indonesia's international credit rating and allows undistracted attention to current economic issues.

Private foreign investors have also shown confidence in Indonesia's economic progress. U.S. investors have responded with signed contracts for approximately \$550 million of the more than \$1.5 billion in foreign investment approved by the Indonesian Government through September 1970. While much of the U.S. investment is in the technologically complex and costly areas of mining and petroleum, a considerable range of manufacturing ventures will also provide support to the infant industrial sector.

Concentration on domestic economic problems has not caused Indonesia to lose sight of broader concerns. The Government of Indonesia continues to seek a regional approach to economic and social development through its support of the Association of Southeast Asian Nations and other cooperative groupings. Concerned over the threat to Cambodia's neutrality, Indonesia played a key role in calling the 11-nation Asian conference to consider the Cambodian problem. Indonesia also served on the three-nation committee named by this conference which sought further means of lessening the conflict in the Indochina area.

The Administration has welcomed and assisted Indonesia's desire to remain nonaligned, and its efforts to put its own house in order and play a constructive independent role in the search for peace in Southeast Asia. U.S. support was evident most clearly in President Nixon's July 1969 visit to Djakarta (the first such visit by a U.S. President) and President Suharto's state visit here in May-June 1970 (his first to the United States). On both occasions President Nixon expressed confidence in the self-reliant, independent policies of Indonesia's "New Order" and the willingness of his Administration to assist in Indonesia's development to the extent and in the manner Indonesians deem appropriate.

Philippines

In Manila, in July 1969, President Nixon noted the close and long relations of the United States with the Philippines, as well as the recent strains in those relations. He publicly expressed our desire to build a new relationship between the two countries based on mutual trust, respect, confidence, and cooperation. At the end of the visit, President Marcos responded that the candor, frankness, and openness of the conferences and consultations had dispelled doubts about U.S. policy.

We have been carefully and candidly examining all aspects of such a new relationship with the Philippines, including our Military Bases Agreement and longstanding economic arrangements with the Philippines. The Philippine Government has also been going through a similar reexamination.

The Philippine Government's October 1969 request to enter into negotiations to update the 1947 Military Bases Agreement was a manifestation of its desire to put the U.S.-Philippine relationship on a new footing. We acceded to this request and began our preparations for talks. Following reaffirmation in November 1970 of the Philippine Government's desire to proceed immediately with talks, it was agreed that technical level talks between panels of experts would take place during 1971. The talks will be aimed at reviewing the Agreement in relation to provisions governing U.S. base arrangements elsewhere and at laying the groundwork for arrangements in the Philippines that will satisfy the needs of both governments and not put an unfair or unnecessary burden on either.

Other steps to modify the 1947 Military Bases Agreement have been taken in recent years. In 1966 the duration of the Agreement was shortened from 99 to 25 years; in 1968 we negotiated a base labor

agreement, and in 1969, a customs agreement. A NATO-model criminal jurisdiction agreement negotiated in 1965 has come under criticism recently in the Philippines, and it is also likely to be the subject of talks.

We notified the Philippine Government on December 11, 1970, that the United States had agreed to its request of November 3, 1970, for the return of Sangley Point Naval Station. The formal turnover of the facility, which the United States has operated since 1898, will take place in mid-1971. The United States and the Philippines also reached agreement on October 10, 1970, to turn over to Philippine command and control five LORAN stations (providing radar navigation facilities for shipping), which had been operated since 1946 by the U.S. Coast Guard.

We have made a broad review of the issue connected with the scheduled expiration of the Laurel-Langley Trade and Investment Agreement in 1974. The Agreement granted tariff and quota preferences for Philippine products in U.S. markets on a declining scale to terminate with the end of the agreement in 1974. It also provided, during that period, that U.S. investors in the Philippines would be given the same treatment as Philippine investors, and this attracted a substantial amount of U.S. investment. The expiration of Laurel-Langley will raise problems for both sides which will require further discussion by the two governments.

In February 1970 the Philippines entered into a standby agreement with the International Monetary Fund to assist in resolving serious short-term foreign exchange problems. In October the International Bank for Reconstruction and Development sponsored a meeting in Paris to consider the establishment of an international consultative group to provide international support for an effective Philippine development effort. The United States intends to become a full member of this consultative group in order to stimulate increased productivity and growth rates in the Philippines.

The Philippines is also engaged in Asian regional affairs. Normalization of its relations with Malaysia smoothed the way for more effective operations of the Association of Southeast Asian Nations. The Philippines also attended the Djakarta meeting on Cambodia in May 1970, continued its involvement in the Asian and Pacific Council (ASPAC), and was host to the SEATO meeting in July 1970.

The Philippines in December 1969 withdrew from Vietnam its civic action group (PHILCAG)—a 1,500-man engineering construction battalion with its own security forces. It still maintains a medical contingent in Vietnam.

19. Joint statement of the Tenth Annual Republic of Korea-United States Security Consultative Meeting—July 26, 1977

1. The Tenth Annual Security Consultative Meeting between the Republic of Korea and the United States of America was held in Seoul, Korea on July 25 and 26, 1977 in accordance with the agreement of February 6, 1971 between the Governments of the Republic of Korea and the United States of America and as agreed at the Annual Security Consultative Meeting in Honolulu, Hawaii, on May 26-27, 1976. Minister of National Defense Suh, Jyong Chul, Secretary of Defense Harold Brown, General Ro, Jae Hyun, Chairman of the Republic of Korea Joint Chiefs of Staff, General George S. Brown, Chairman of the United States Joint Chiefs of Staff, and other senior Foreign Affairs and Defense officials of both governments participated in the meetings. During his visit Secretary Brown called on His Excellency President Park, Chung Hee and Prime Minister Choi, Kyu Hah.

2. Minister Suh and Secretary Brown discussed overall developments in the Asia and Pacific area, and carefully examined the security situation in Northeast Asia. The two

delegations jointly assessed the military threat to the Republic of Korea, including the Northwest Islands and carefully reviewed the combined capabilities of the Republic of Korea and the United States to defend against the threat. Minister Suh and Secretary Brown noted that North Korea has increased its military capabilities in recent years through the further acquisition of modern weapons and the development of its weapons industries. The two delegations agreed that the North Korean threat remains serious.

3. Minister Suh described the Republic of Korea's defense posture, noting the importance of continued United States military support and its commitment to the security of the Republic of Korea. The two delegations concluded that it is essential to maintain and strengthen the defense capabilities of the Republic of Korea, at a state of readiness sufficient to deter a renewal of hostilities on the Korean peninsula.

4. Secretary Brown conveyed President Carter's affirmation that planned United States ground combat force withdrawals signify no change whatsoever in the United States commitment to the security of the Republic of Korea, that the United States-Republic of Korea Mutual Defense Treaty of 1954

remains fully in force and that the United States' determination to provide prompt and effective support to assist the Republic of Korea to defend against armed attack in accordance with the Treaty remains firm and undiminished. Secretary Brown noted that President Carter had stressed that neither North Korea nor any other country should have any doubts about the continuing strength of this commitment.

5. Secretary Brown explained that the United States has concluded that a carefully phased withdrawal of United States ground combat forces over a four to five year period will not affect the military balance on the peninsula provided it is accompanied by measures to strengthen and modernize Republic of Korea forces. Minister Suh and Secretary Brown agreed that in connection with the planned withdrawal of United States ground combat forces, compensatory measures will be implemented in advance of or in parallel with the withdrawals. Secretary Brown affirmed that United States air, naval, intelligence, logistic and other support will remain available to the Republic of Korea. The Secretary assured Minister Suh that the withdrawal will be undertaken in a manner which will preserve peace and stability in the region. Secretary Brown also stated that United States tactical air capability, which

will remain on the peninsula, in combination with other United States land, sea and air forces in the area, will be a clear demonstration of United States determination in this regard.

6. Agreeing that there had been close and candid consultations between the two Governments regarding modalities of the withdrawal of United States ground combat forces from the Republic of Korea and measures to offset their withdrawal, Minister Suh and Secretary Brown reviewed the results of these consultations. Secretary Brown stated that 6,000 men would be withdrawn by the end of calendar year 1978, that withdrawal of the remaining ground combat forces would be carefully phased and that the headquarters and two brigades of the Second Division would remain in Korea until the final phase of the withdrawal. Secretary Brown said that the United States Air Force units remaining in the Republic of Korea would be augmented and United States naval forces would continue to be deployed in the area. Certain United States intelligence, communications, and other support elements would also remain in the Republic of Korea. Minister Suh and Secretary Brown agreed that the development of Korean capabilities, the military balance on the peninsula and other developments affecting peace

and security in the region would be the subject of continuing consultations with the Government of the Republic of Korea to insure that the deterrent to North Korean aggression remains strong.

7. Minister Suh and Secretary Brown reviewed the consultations conducted prior to the Security Consultative Meeting including that of the Joint Military Working Group and discussed compensatory measures designed to insure the continuing security of the Republic of Korea. Secretary Brown expressed the United States Government intention, subject to consultations and the approval of the United States Congress, to assist the Republic of Korea in further improving its military capabilities as follows:

- a. To transfer at no cost to the Republic of Korea certain equipment now in the inventory of United States forces in Korea;
- b. To provide supplementary foreign military sales credits to help the Republic of Korea improve its defense force capabilities; and
- c. To continue support for general Korean force improvement.

Secretary Brown also stated that the United States Government will:

- 1) Within the context of the United States Government's worldwide arms transfer policy, make available appropriate weapons on a priority basis to insure that the Republic of Korea is capable of deterring North Korean aggression;
- 2) Make special efforts to support the Republic of Korea's self-sufficient projects in the defense industry field, together with related defense technology, within the context of the United States Government's arms transfer policy; and
- 3) Continue and expand joint military exercises with the forces of the Republic of Korea to maintain the readiness of combined United States and Republic of Korea forces to resist any renewed aggression against the Republic of Korea.

8. Noting the traditional friendship between the two countries, the long history of close cooperation between their respective armed forces, and the desirability of further expanding these close ties, Minister Suh and Secretary Brown agreed to establish, prior to the completion of withdrawal of the first increment of United States ground combat forces, a combined United States-Republic of Korea Command to improve operational efficiency for the defense of the Republic of Korea. Minister Suh and

Secretary Brown agreed that the planning and studies for the organization of the combined command already begun by their respective staffs would continue. The two delegations noted that a combined command will symbolize the joint commitment of the United States and the Republic of Korea to the maintenance of peace and security on the Korean peninsula.

9. Minister Suh and Secretary Brown reaffirmed that the United Nations Command shall continue to function as the peace-keeping machinery in the absence of a viable alternative arrangement to enforce the Armistice Agreement, which is the only existing legal arrangement committing the parties concerned to maintain the armistice regime.

10. Expressing confidence in the Republic of Korea's defense capabilities, Minister Suh and Secretary Brown agreed that successful completion of these plans and measures, together with United States air, naval, logistic and other necessary support, and the United States' firm commitment to the security of the Republic of Korea, should make it clear to North Korea that no armed attack could succeed and that cooperation for the reduction of tensions on the peninsula is the only possible approach to the

Korean question. In this regard, the two delegations noted the significant policy initiatives undertaken by the Republic of Korea and the United States to reduce tensions and to consolidate peace on the Korean peninsula including the Republic of Korea's proposal for a non-aggressive agreement between the South and North. They also urged that the North Koreans demonstrate their readiness to resolve peacefully the Korean question by agreeing to the resumption of the South-North dialogue suspended by North Korea in 1973. The United States delegation noted the standing United States proposal for a four power conference on Korea, and reaffirmed that the United States would not enter any negotiations on the future of Korea with North Korea without the participation of the Republic of Korea.

11. Both delegations, taking note of the importance and accomplishments of the annual Security Consultative Meetings, agreed that the next annual Security Consultative Meeting will be held in the United States of America in 1978 at the invitation of the United States Government.

12. Secretary Brown expressed sincere appreciation to Minister Suh for the courtesy and hospitality extended to him and his delegation by the authorities of the Republic of Korea, and for the excellent arrangements which contributed to the success of the meeting.

News Conference by
Secretary of Defense Harold Brown and South Korean Defense Minister Suh
at Conclusion of Korean Security Consultative Meeting
Seoul, Korea
Tuesday, July 26, 1977

Minister of Defense Suh's statement:

"We have discussed the aspects of withdrawal of U.S. ground forces from Korea and the security of Korea for the past two days. We have exchanged our views frankly, promoting mutual understanding. As a result, we have agreed to take constructive and substantive complementary measures. We focused on the possibility of North Korean miscalculation, which cannot be ruled out completely. We reaffirmed our determination to resolutely respond together to any North Korean provocation. In this sense, I consider this meeting has been successful and useful.

"Would you like, Mr. Secretary to say a few words?"

Secretary of Defense Brown's statement:

"Thank you Mr. Minister. The most important result, as I see it, of this 10th Annual Republic of Korea - United States Security Consultative Meeting, was the reiteration of the joint commitment to security of the Republic of Korea, under the Mutual Defense Treaty. This commitment was underlined by, and referred to, in the letter from President Carter, which I delivered to President Park. With that as a starting point, our talks during the past two days have begun a consultative process which will continue during the four or five year period during which U.S. ground combat forces will be withdrawn, and will continue beyond that. This is part of a wider consultative process. We will be consulting with the Japanese government and we will be consulting, most of all, on specific matters of equipment and sales with the U.S. Congress. Within that framework, we've agreed on a number of specific issues and items. I won't detail them because they are contained in the communique which is being issued today. I will say one more general thing, and that is it is very important that the Korean people understand, and the American people understand, and that all other nations understand, that it is the firm intention of the United States to continue as a major power in the Western Pacific and East Asia. Our continued military deployments in various parts of the Western Pacific will support that role. And it's with that role that the gradual withdrawal of U.S. ground forces -- U.S. ground combat forces from Korea, and the corresponding build-up of Korean capabilities, will take place. At the end of that period, I have every expectation that the security of the Republic of Korea will be preserved and, indeed, enhanced."

Q: Mr. Secretary, sir, Mr. You from the Kyunghyang Shinbun one of the daily newspaper companies in Seoul. As he recalls, back in 1975 during the 8th Annual ROK-US Security Consultative Meeting, then U.S. Secretary of Defense Dr. Schlesinger, indicated that he would employ tactical nuclear weapons if the Republic of Korea is attacked by the other side. And also, back in 1976, during the 9th SCM, Secretary of Defense Rumsfeld stated that he would follow his predecessor's policy as far as that particular matter goes. And also, President Carter in recent months in his interview with U.S. News and World Report, indicated that the U.S. may employ tactical nuclear weapons if the Republic of Korea is attacked by the other side. And also he indicated that since the Republic of Korea is not a member of the Nuclear Non-proliferation Treaty, Korea will be protected by a U.S. nuclear umbrella, and if that's the case, would the U.S. employ tactical nuclear weapons, have you any change in policy, or would you withdraw all of the nuclear weapons, or would you continue to retain nuclear weapons on the peninsula? He would like to have your comprehensive comments on that?

Secretary Brown: The comprehensive nature of the questions, I think, allows me to make a selective response, without characterizing what has been said in the past, and I'm not sure that the question quotes them accurately. I would like to make the following remarks: The Republic of Korea is, and will continue to be protected by the U. S. nuclear umbrella. At the same time, the United States, its responsible officials, and specifically, myself, do not take the use of nuclear weapons or the potential prospective use of nuclear weapons lightly. They are an extreme measure, their use is an extreme measure, which is very unlikely to promote the survival either of those who use them, or those against whom they might be used.

I will not comment on the presence or absence of U.S. nuclear weapons in Korea or any other specific area. That has been and remains a United States policy, not to comment on location of nuclear weapons.

I believe that the Republic of Korea can be defended against aggression by conventional means, its own forces and U.S. forces. Those U.S. forces at present include ground combat forces. They will in the future continue to include air forces, which we will, in fact, augment somewhat and naval forces, logistic support, intelligence and communications support. And there are, and will continue to be in the future, other U.S. forces available in every area of the world, the capability of nuclear weapon deployment. But I think it is a mistake to depend on nuclear weapons to protect a country when, as in this case, non-nuclear capability will suffice.

Q: My name is Krisher, Newsweek magazine. In the communique it is stated that you agreed that compensatory measures will be implemented in advance or in parallel with the withdrawals. In the event that Congress should not come through with the allocations necessary for the compensations in time, is there a possibility that the withdrawals might be delayed, postponed or concalled? And I would like to ask Secretary Suh whether the Government of Korea has any concern over this matter?

Secretary Brown: We have a tentative schedule for those withdrawals beginning with the withdrawal of 6,000, including one brigade of the 2nd Division by the end of 1978, and the rest of the withdrawals are less firm in detail. We do, however, still plan to complete withdrawals of ground combat forces within four to five years. As you indicate, there will be a parallel implementation of measures to improve Republic of Korea capabilities so as to assure their continued security. We expect both of these to go forward. We will be consulting with the Congress and I have confidence, that with some adjustments which will come out of the consultations with Congress and will come out of further discussions between ourselves and the officials of the Republic of South Korea, that this can be carried forward.

Secretary Suh: As President Carter made it clear so many times, the withdrawal of the U.S. ground forces from Korea will be implemented in such a way not to destabilize the military balance, so as to preserve peace and security on the Korean peninsula. In case there is any provocation by North Korea, we will be provided with deterrence. Since President Carter mentioned that this withdrawal will be effected gradually and carefully, I think this is the basic U.S. policy as far as our understanding goes.

As Secretary Brown mentioned, all compensatory measures will take place in advance of or in parallel with the withdrawal. But this will take place so as not to adversely effect the military balance. This is the way we understand and this commitment will be fact. That is what we believe.

Q: I am Mr. Lee of the Tongyan Broadcasting Company. In the last year or so, Lt. General Hollingsworth, CG, I Corps (ROK-US) Group, then indicated that he would implement a nine-day war on the Korean peninsula, and also, Mr. Lee understands that the United States would commit, or intervene in the Korean affairs promptly, as soon as the ROK is attacked by the other side. Also, this commitment is based on the Mutual Defense Agreement Pact established back in 1954. And also, he understands that the President of the United States can wage a war for a 60-day period without Congressional ratification or approval. If that is the case, would the United States commit troops or intervene in the Korean War promptly if we are attacked by the North?

Secretary Brown: The United States would observe its obligations under the Mutual Defense Treaty. It would respond promptly to aggressions against South Korea.

Q: I am Lee Tai Fang of the Central News Agency (CNA) of the Republic of China. According to the joint statement today, the United States made a very confirmed security commitment to the Republic of Korea. The United States' firm commitment made me recall that before the falling of Vietnam, the U.S. made a repeated and firm security commitment to the Vietnamese government and the freedom of the people. And, another question in connection with that, that United States also repeatedly made a security commitment of freedom to the Republic of China. What is your opinion, sir. (Inaudible)

Secretary Brown: That the United States observes its commitments to other countries, is nowhere shown more clearly than in the case of the Vietnam War. It is testified to by the tens of thousands of American dead and hundreds of thousands of Americans wounded in that war. It is testified to by the deep, painful, and not yet healed wounds on the American body politic from that war. So I think that, so long as an American security commitment exists, no one should have any doubts about our willingness, our intention of honoring it.

Q: I am Mr. Song from the Korea Herald Daily Newspaper. As far as Mr. Song recalls or knows, there has been no official explanation as to why the United States would implement a withdrawal of ground troops from the Republic of Korea. The only obvious reason the U.S. government cited was the economic growth of this nation. If that's the case, why would you still have troops in Western Europe in countries where their economy is prospering day by day? And also, as he recalls, during the last year's ROK-US Security Consultative Meeting, the U.S. indicated that there would be no planned withdrawal of U.S. troops from the Republic of Korea. If that's the case, does this mean a policy change of the U.S. Government? Or is there any other reason for this withdrawal? I feel it would be wise to let know not only Korean people, but also people of friendly allies to have a logical rationale of the withdrawal of U.S. ground troops from the Republic of Korea.

Secretary Brown: With respect to the question about Europe, I would point out that the military capability of North Korea is not comparable with the military capability of the Soviet Union and the Warsaw Pact forces. The situations are not comparable. Indeed, with respect to U.S. plans for ground forces in Korea, there has been a change in policy. I would point out, however, that at the time of the withdrawal of the 7th Division in 1970, the U.S. Department of Defense proposed withdrawing the 2nd Division as well in 1973. My predecessor, Mr. Laird, has since confirmed that he made the recommendation.

At the time that the 7th Division was withdrawn, Korea had two divisions in Vietnam, which have long since returned. Beyond the improved economic situation in the Republic of Korea, which has of course, greatly outstripped that of North Korea, South Korea has double the population and about four times the gross national product. The political situation in Northeast Asia differs from what it was some years ago. The Soviet Union and China are directing most of their military interest at each other. Both of them have made clear that they are not encouragers or, indeed, supporters of North Korean adventurism.

There is, I believe, a good chance of stabilizing the situation in Northeast Asia over a period of years by withdrawing U.S. ground forces and by strengthening South Korean capabilities. The value of that outcome is obvious: it will be a more stable political situation if the balance of military power on the peninsula does not depend, as we believe it can be caused not to depend, upon the presence of U.S. ground forces. That is the basis for the change in U.S. policy. It will, however, be implemented gradually, incrementally, and we will take full account of changes that may take place in the meantime. We have, as the communique indicates, a plan to retain two brigades and the Division Headquarters of the 2nd Division in Korea until the final withdrawal of combat ground forces in the timeframe of four or five years from now.

Q: I am Peter Wientraub, Far Eastern Economic Review, with a question for Minister Suh. Mr. Minister, did your perceptions of the U.S. seriousness of the U.S. commitment to the Republic of Korea and the resolve behind that commitment change much in the last six months and, if so, how?

Minister Suh: It is a fact that it has been some six months since the new U.S. Administration. With the new U.S. Administration in, we can think of the possibility of change in its policy. As a matter of fact, the withdrawal of U.S. ground forces from Korea can be regarded as a change in that policy. But we have to take not very seriously the factors remaining unchanged as far as relations between the United States and the Republic of Korea is concerned. For instance, the U.S. commitment to the defense of the Republic of Korea remains unchanged, and the U.S. is firmly committed to the safety and security of the Republic of Korea. The United States is as seriously concerned as before about the military balance existing on the Korean peninsula, as well its commitments to the defense of the Republic of Korea. On top of this, we must say very proudly that the traditional, the friendly ties between our countries remains firm and unchanged.

20. Summaries of major pro/con arguments concerning military assistance to South Korea, 1969-1977, prepared by the Congressional Research Service for the Subcommittee on International Organizations, October 13, 1978

Foreign Assistance Act of 1969
 2-year authorization (P.L. 91-175)
 FY70 & FY71 appropriations

Major Developments re: ROK - South Korea - military assistance

November 19, 20, 1969 - In House authorization bill (H.R. 14580)
 \$50 million for each
 FY70 and FY71 was earmarked for ROK in addition to other economic and military assistance in the bill.

House Debate Pro arguments: (not in any special order)

1. ROK is a very valuable ally and friend
 - a. it has proved to be a good ally by fighting with us in Vietnam;
 - b. it has proved its value by successfully developing and managing its economy;
 - c. its armed forces have proved to be capable and dedicated -- a worthwhile investment
2. ROK is in a most vulnerable and volatile position with North Korea posing a constant military threat; the earmarked funds are needed to help ROK repulse the increasing Communist attacks across the truce line. An outbreak of war in Korea is a threat to the U.S.
3. The \$50 million per year for ROK are necessary for ROK's modernization program for its armed forces. If ROK can adequately modernize then eventually U.S. troops can be withdrawn from South Korea.
4. The \$50 million is important for relieving the strain from ROK economy so that it can continue to develop.

Con - no significant con arguments were advanced.

December 1, 1969 - Senate Foreign Relations Committee eliminated ROK earmarked funds in Senate authorization bill.

December 8, 1969 The \$50 million in earmarked funds for ROK excluded in Appropriations Committee bill although Passman publicly said he had pushed for it in both subcommittee and committee.

December 9, 1969 - On the floor, the House added \$50 million for ROK (Broomfield Amendment) by a 250-142 roll call vote to appropriation bill (H.R. 15149).

House floor debate December 9, 1969

Pro: (not in any special order)

1. Passman and others said they had classified information to support urgent need for this appropriation (\$50 million earmarked funds for ROK).
2. Both Albert and Ford said they had received letters from Melvin Laird urging adoption of the amendment because of ROK's urgent need to defend itself against North Korean threat. North Korean power and might outweighs ROK at this time. Also, the U.N. Command and Joint Chiefs of Staff share this opinion.
3. Funds for ROK are needed to "help protect our boys."
4. State and DoD favor amendment.
5. North Korea has superior offence in relation to ROK defense. North Korea poses threat to ROK and therefore to U.S. Funds are necessary for ROK's adequate defense.
6. ROK's economy which is potentially highly successful is being weakened by defense needs.
7. Modernization of Korea's armed forces needs to be started so that U.S. can eventually withdraw U.S. troops. If ROK forces are updated, there must be more funds.
8. ROK forces are capable, thus, a good investment.
9. ROK contributed to U.S. efforts in Vietnam and are staunch allies of the U.S.
10. There have been precedents for appropriating unbudgeted amounts (e.g. Israel). Also, there was some discussion in Committee before floor debate on these funds.

Con arguments: (not in any special order)

1. The funds should go through proper channels -- hearings, executive branch open testimony, committee debate, floor debate. These funds are following "fishy" procedure.
2. The question of special earworked funds for ROK in so large an amount is "too big a question" to discuss on the floor. There is not enough time to develop the question thoroughly.

3. Since economic aid has been cut in the bill, some opposed the \$50 million in military aid. Why increase military aid and cut economic aid?

December 11, 12, 1969 - Senate passes authorization bill with no \$50 million earmarked for ROK.

Senate Floor Debate

Con arguments (not in any special order)

1. The pattern of authorizing and appropriating funds for specific foreign countries aid projects is of "incipient danger to the legislative process itself." Fulbright warned against lobbyists for foreign government (e.g. ROK and Taiwan) who "finagle" for additional funds even those not requested by the U.S. Administration. Fulbright said "last year" he had received a letter from ROK Ministry of National Defense pleading for additional funds.
2. Congress must be aware of the American lobbyists groups who advocate additional funds for specific foreign governments.

Pro arguments - no significant pro arguments advanced

Conference and final P.L.s - no \$50 million earmarked for ROK

Special Foreign Assistance Act of 1971 - P.L. 91-652

Major Developments re: ROK (South Korea) - military assistance

November 18, 1970 - In a message from the President supplemental appropriations for FY71 were requested including "\$150,000,000 to be part of a modernization and improvement program for the Korean armed forces."

November 25, 30, December 1, 2, 1970 - House Foreign Affairs Committee Hearings. House bill (H.R. 19845) contained language requesting "\$150 million in grant military assistance for modernization of the Republic of Korea's Armed Forces and seeking authority to turn over to Korea equipment of U.S. forces being withdrawn from Korea."

November 25, 1970

Pro arguments (in rough chronological order)

1. Sec. Rogers - to implement Nixon Doctrine and reduce U.S. troops in ROK we need to modernize ROK defenses in order not to lessen allied defense capabilities. ROK has proved itself to be loyal and dedicated ally. Much of ROK's equipment is obsolete because recent U.S. military assistance has been devoted to operations and maintenance. These funds (\$150 million) are essential and are the first part of a 5 year modernization program. In U.S. discussions with Koreans, ROK expressed desire to have aid before troops start to leave.
2. Broomfield: We've been talking for 8 years about replacing the obsolete equipment in ROK, but because of Vietnam we haven't had the chance.
3. Laird: The \$150 million for ROK is to implement the Nixon Doctrine. We intend to offset the withdrawal of 20,000 troops by strengthening the ROK defense capabilities. This substantial amount (\$150 million) will be offset by the savings which will result from withdrawal of U.S. troops. Total net savings - \$450 million for 5-year period.
4. Adair: raised point of cost of transferring equipment. Laird and Admiral Moorer respond that equipment transfer (\$100 million) is in addition to \$150 million. He endorsed entire program.
5. Monagan: raised issue of ROK's feelings about troop withdrawal and asked if additional funds for modernization would be a reasonable substitute for withdrawing troops. Laird said ROK preferred that U.S. troops not be withdrawn, but the policy was a good one and U.S. policy shouldn't be decided by another government.

Special Foreign Assistance Act of 1971 - P.L. 91-652 (cont.)

November 30, 1970 House Foreign Affairs Committee Hearings

Highlights of pro/con arguments re: Military Assistance to ROK

Pro:

Department of State - Marshall Green and others

Need for urgent action on \$150 million in MAP funds for ROK to initiate the first phase of 5-year modernization program because:

- (1) 20,000 U.S. troops are to be withdrawn by end of FY 1970, and North Korea must know there is no weakening of ROK defenses.
- (2) Although ROK has made noteworthy economic progress its resources are limited; it cannot maintain on its own a large defense force and still have funds to buy essential new equipment.
- (3) ROK needs to replace its WW II vintage weapons, but needs financial assistance to do so.
- (4) in terms of equipment, the North Koreans have a definite advantage, particularly in the air.
- (5) Initial cost of withdrawing troops and modernizing forces is high but over a 5-year period the total net savings will run about \$450 million.

Con argument:

(Monagan)

- (1) Are savings that high for withdrawing troops? Maintenance is more expensive in U.S. than ROK.

(Culver)

- (2) ROK troops in Cambodia are supported by U.S. "It doesn't represent one penny of ROK diplomatic, political, economic, military will whatsoever. ROK extracted a real deal."
- (3) Why does U.S. have to increase its assistance to ROK time and time again, while USSR and PRC haven't given so much to North Korea.

(Fraser)

- (4) Why in these few days, at this time do we have to authorize the beginning of 5-year modernization program.

N.B.: Many deletions re: ROK in Nov. 30 hearing

December 1, 1970

House Foreign Affairs Committee Hearings

Major points made concerning Military Assistance to ROK

General Warren (Air Force)

U.S. grants assistance to ROK barely covers ROK's operation and maintenance; the supplemental (\$150 million) is required for the modernization program which has been worked out with the Koreans. The \$150 million will go for new investment items opposed to operation and maintenance items -- basically it will go for aircraft (NB -- many security deletions), patrol craft, vehicles, and communications.

Morgan: Couldn't the authorization for 5-year modernization plan for Korea wait for next year.

Warren: Personal opinion is Cambodia more urgent than ROK.

Broomfield: The \$50 million appropriated for ROK months ago (Senate killed the \$50 million in authorization bill) was used for Korean maintenance and operating needs in FY 71 and two F-4s, although the \$50 million was intended for modernization. ROK has serious need for modernization because although North Korea has smaller army it has modernized weapons including aircraft.

NB: At Bloomfield's request Warren gives run-down of North Korea's power versus ROK and sums up with "if North Korea elected to start hostilities ROK would have difficult time without outside assistance."

Warren: There is no provision authorizing us to transfer to the Koreans the equipment that our Army or Air Force or Navy units in Korea leave behind as they withdraw. We need legislative authority. It is extremely important that the authority be given because US army does not have capability to safeguard and store the equipment our forces leave behind as they withdraw. Equipment being earmarked for transfer is almost exclusively material associated with ground forces.

Hamilton: Why do some refer to beginning modernization programs for ROK? We've been working on modernization for ROK for some time. How many years are we committing ourselves to (security deleted) level of assistance for ROK.

Warren: No legal commitment -- It depends on Congress. We have worked out a 5-year plan with Koreans.

Plan keeps changing -- but total is (security deletion) over 5 years. \$150 million is first increment.

-based on ROK footing some of the bill-built right in package.

NB: Many security deletions p. 155-157

U.S. support for Korean forces in Vietnam is enumerated with security deletions for 1971.

Culver: When we talk about the great assistance that ROK gives in Vietnam -- there is really nothing without a U.S. dollar sign.

Warren: ROK did provide uniforms, boots, and web belts.

Culver: We made an agreement that makes that the most lucrative contract ...
(There follows a discussion between Culver and Warren over ROK willingness to fight in Vietnam if US wasn't paying the bill and more.)
pages 158-160/summary ROK motivated by financial benefits but other motives too, and they have proved to be good soldiers.

Culver: Questions why ROK is incapable of defending itself against North Korea after millions have been poured in by US, and its economy is show case etc.

December 2, 1970

House Hearings

Edward F. Snyder/Friends

-Committee is being asked to authorize \$150 million in military assistance grants to begin modernization of ROK forces; and to approve transfer of surplus equipment valued at \$750 million.

-raised questions as to how much US taxpayers as compared to Korean taxpayers, are paying for the day to day operations of the ROK armed forces and how long US subsidies for this kind of regular running expense will continue.

-better for US to support arms embargo to South and North Korea.

December 7, 1970

(Special Foreign Assistance Act of 1971)
H.R. 19911 reported by House Foreign Affairs
Committee H. Report 91-1678

Majority Report

-request for additional funds for ROK is necessary if ROK is to assume greater responsibility for its own defense.

-funds to ROK in regular military assistance program are mainly for maintenance and operation and very little for upgrading ROK capabilities

-The \$150 million supplemented will enable the US to continue the withdrawal of troops from ROK and increase effectiveness of ROK troops

-funds used mainly for aircraft, patrol boats

-in the long run this program will net savings about \$450 million over 5-year period

-bill also authorizes DOD to transfer defense articles to ROK - value between \$117 - 122 million. DOD says it is more economical to transfer this equipment to ROK than it would be to return it to US.

Minority views in report Fraser, Bingham, Rosenthal, Culver, Roybal

-why the "emergency"

-why couldn't the authorization wait for next year - regular schedule?

-generally support modernization of Korean armed forces which allow U.S. troop withdrawal

-we didn't believe executive branch has explained its plan and intentions thoroughly enough

-committee was not briefed in the amounts which will be requested in subsequent years; the effect of modernization; the relationship between Korean modernization and the withdrawal of US forces.

December 9, 1970 House Floor Debate
(bill passed)

Morgan: --American people are not willing to abandon the people of ROK to defend themselves against Communist world
--too many Americans died and Koreans have fought hard
--this supplemental (\$150 million) will allow US to reduce forces while ROK keep up defense capabilities and it will show ROK we have confidence in them.

Adair: Modernization of ROK forces essential as we withdraw troops/ and its impossible for our allies to eventually assume their own defense -- maximum security at minimum cost for US.

Fraser: no reason to add the beginning of an extensive program of military assistance for ROK at this time -- it should be considered in the regular foreign assistance measure which we take up next year

- US policies toward Asian countries have changed under Nixon Doctrine/ with no deliberations of House International Relations Committee, nor the House itself
- often related measures are rammed through with inadequate hearings

Frelinghuysen: it is prudent to act now and not next year, to underline the continuing US commitment to ROK

Broomfield: --ROK has made great strides since early 1950s. It has built up an economically and politically stable society
ROK at great sacrifices has kept its country free from aggression from the North
--Also ROK has provided 50,000 crack troops in Vietnam/Cambodia although ROK forces outnumber (627,000) North Korea's (350,000)
North Korea is better equipped in almost every area of defense
--(he goes on in great detail H40713)
--the \$150 million supplemented will allow country to modernize and US to withdraw while at the same the defence against Communist forces will be upheld.
--this investment will be more than offset by savings -- \$450 million or more over 5-years

Gallagher: -- the \$150 million for ROK particularly significant because of the benefits we may expect to accrue if we approve it
--past aid has been put to excellent use by a staunch ally
--Unless the reduction of US forces on ROK is accompanied by an offsetting increase in defense capabilities ... its weakened posture would offer North Korea to exert higher pressure at lower risk
--among the leaders of the world America has no greater friend than President Park

Price: --ROK is show case of democracy
--also US policy is to withdraw troops from ROK so we must not let them feel abandoned

December 10, 11, 1970 Senate Foreign Relations Committee Hearings

December 14, 1970 -- S. Rept. 91-1437 (see below)

December 15, 1970 -- Senate Floor Debate on H.R. 19911 (amendment to reduce \$150 million for ROK to \$144 million was passed)

Sparkman: There was little discussion in the committee of the funds requested for Vietnam, Korea, etc. ... Most members felt the amount requested should be authorized
--but some thought more time was needed to examine implications of \$150 million to ROK

Gravel: "On examination we find that in Korea we had a situation where we had let contracts to the Koreans, who would have a preferential economic benefit because of an involvement."
 "It is just coincidental that the number of troops assigned to Korea equals the number of troops they had in South Vietnam."

Stevens: --offered amendment to delete \$5.8 million from bill which was intended for the purchase of small attack naval vessels for ROK
 --since 1946 US has given ROK \$8 billion
 --(he inserts table of aid to ROK in Record

S20210 12/15/70

--of the \$8 billion, \$241 million has been spent on ROK navy --
 Stevens raises question what did ROK do with the \$241 million they did not have to spend on their Navy
 --ROK's merchant marine increased from 4 ships (1950) to 28 ships (1970) during the same period the US merchant marine declined
 --Now ROK merchant marine competes with our merchant marine
 --Stevens raises question of Korean fishing fleet threatening US fishing industry and so on
 --Stevens amendment also prohibits the expenditure of any of the funds in this measure for small naval attack vessels for ROK

Stevens: basically we felt the ROK has been using moneys we have provided for military and economic assistance to free money from internal sources for increasing their merchant marine and the number of their fishing vessels.

Jackson: If the ROK can invest over \$200 million, of which \$30 million is internally generated capital, in their deep sea fishing fleet -- they can contribute the less than \$6 million required for the purchase of these small naval vessels.

Amendment passed by voice vote

December 16, 1970

Senate Floor Debate

Fulbright: We need more time on this bill especially the part on Cambodia --the ROK funds are different because it does not involve a new policy or a new client. I believe it is estimated to cost \$500 million. At one time it was reported that the Koreans were asking \$3 billion. I don't think Laird knows how much.
 --It is a Korean request.

December 14, 1970

S. Rept. 91-1437 (this notation should be above Senate floor debate on December 15, and 16)
Senate Foreign Relations Committee reported bill with \$150 million military assistance for ROK and the authority to transfer about \$117-\$122 million worth of equipment to ROK but the Senate report noted p. 5

"Because of the press of time the committee was unable to give proper study and consideration to the executive branch's plans for Korea. Consequently, the committee's approval of this item should in no way be interpreted as endorsement of any long range plan for additional military assistance to ROK. The committee will examine the policy and plans more carefully next year in connection with its work on foreign aid legislation."

December 22, 1970

Conference report passed House and Senate full \$150 million request for ROK restored in final bill and P.L.

January 5, 1971 P.L. 91-652

- (1) \$150 million for ROK to start modernization
- (2) authority to transfer certain equipment to ROK

Foreign Military Sales (P.L. 91-672)
HFAC Hearings February 5 and 17, 1970.

Pro

David Packard

Korea's economic situation requires continued grant aid. Korea (and other countries) cannot at this time make the cash outlay to buy the military equipment we and they consider essential to protect our mutual security interests; and can't get credit unless provided or guaranteed by the U.S. government.

The present program is not adequate in terms of Korea, which is a staunch and important ally and has the capability of undertaking a large share of the responsibility for its own defense. Very little of our aid goes to upgrade equipment.

Korea doesn't need training. They are able to handle even rather sophisticated weapons.

Lt. Gen. Robert H. Warren

The Nixon doctrine calls for U.S. Military aid and sales to enable our allies to better defend themselves. Grant aid and sales are keyed to the same objectives including utilization of allied rather than U.S. manpower whenever possible. It is interesting to note that Korea can maintain twenty troops for the cost to the U.S. of maintaining one U.S. soldier.

The U.S. obtains a great deal of mutual security as a direct result of our program for Korea.

Korea, as a military base, is very important to our overall defense posture.

Con

Cong. Fraser

I find the concepts of aiding allies to maintain troops to use in our stead in warfare in Asia, and emphasizing for this aid countries where the U.S. has military bases which need protecting confusing. Are we going to use U.S. troops in land war in Asia or aren't we?

Gen. Warren

We have a bilateral agreement w/Korea which requires us to be in a position to be of some assistance to those countries, but don't specify what.

HFAC Report #91-869 on Military Sales Act

The 4 forward defense countries (Korea) which are on the periphery of the USSR or China cannot rely on the hope that those countries will change, but must rely on what is required to maintain their own security and to contribute to the collective security of the non-Communist world.

SFRC Hearings March 24 and May 11, 1970

Pro

David Packard

(Makes basically the same statement)

Korea is a good example where we urged them to plan for only what they need to provide deterrence against North Korean capabilities. (Apparently the PRC followed this example re: the N. Koreans)

General Warren

Aid for Korea is repeatedly justified in terms of its "forward defense country" status as it was in statements to HFAC.

The Nixon Doctrine would suggest that we increase our aid, at the same time cutting our manpower involvement.

Sen. Fulbright

You gave Korea (F-4 aircraft) and then China wants them. If you give one of them a weapon system and they all want it.

Gen. Warren

(Re: tranferring plans F-5 to Korea)

Vietnam, Thailand and Korea are eligible to receive it because they are fighting w/us in Vietnam.

(Also mentions as to the HFAC that grant money to Korea must be used to maintain equipment. There isn't enough for upgrading.

Questions asked by SFRC and answered in writing.

Question: (a) The 1969 foreign aid bill earmarked \$50 million in military grant aid for Korea. How much is Korea now slated to receive in FY 1970 compared with the amount contained in the FY 1970 Congressional presentation document?

(b) What do you expect to happen to the level of military aid to Korea in the next few years? To the level of aid to Nationalist China? To the Philippines? To Thailand?

Answer: (a) The FY 1970 Congressional Presentation Document reflects program of \$164.0 million for Korea. As a result of an authorization below that requested and after considering priority and need of worldwide requirements for MAP funds, the Korean program for FY 1970 was set at \$140.5 million which includes \$50.0 million earmarked for that nation by Congress.

(b) MAP is not a self-perpetuating program and it is intended to phase out grant materiel assistance as rapidly as the world security situation permits and as recipients are able to assume the costs of their own defense. Thus in the long run we would expect that all programs, including Korea, China, the Philippines and Thailand, would be phased down. However, in the short term it may be necessary, in order to implement the Nixon Doctrine, to provide, for a time, greater amounts of assistance than had previously been projected.

Comments concerning the Fulbright amendment.

As to the substance of the proposed amendment, it has the effect transforming MAP into a local currency sales program. This would undermine the existing rationale of the grant aid program. In the case of Korea, it could adversely affect Korean reactions to our planned modernization efforts. And, globally, the proposed local currency program would be received negatively by countries which are in a weak balance of payments position. This would be particularly applicable in the case of Turkey, the second largest U.S. grant aid recipient.

With respect to those countries where our holdings of local currency are already in excess or "near excess" of our requirements, it would result in the accumulation of additional local currency which we cannot utilize. In the case of those grant aid countries which are now shifting to dollar sales, it would stimulate resistance to dollar sales and encourage requests for local currency sales.

Question: Have the U.S. military authorities turned down requests by other countries for Vietnam excess? If so, on what grounds? Would you provide some examples of such refusals to illustrate the degree of U.S. control and the criteria established as to U.S. priorities and objectives?

Answer: All MAP grant aid participation in declared excesses available at Vietnam property disposal yards (PDOs) is directed by MAAG personnel. Request for release of such material have been rejected due to lack of valid MAP requirement, or because the particular items are otherwise ineligible for grant aid to the particular country. Following are two illustrative examples:

(a) Request by Korea for release of major components of a carbon dioxide generating plant rejected due to lack of a defined, valid MAP requirement, and due to the probability of further support requirements to complete the plant.

(b) Request by China for release of lube oil, paint and clothing rejected due to DoD policy prohibiting provision to that country of consumable items generally available from commercial sources in the country.

Question: For such redistribution of excess articles, what criteria of need have been established? Is such equipment being given only to meet the requirements of regularly supported MAP forces goals, or is it now planned to support additional forces in such countries as Taiwan and Korea?

Answer: The criteria of need are the same as for funded MAP. Excess articles are furnished only to meet approved requirements that otherwise would qualify for grant military assistance to meet regularly supported MAP force goals.

Nothing in the House debate. This is from the Senate debate

Sen. Thurmond:

These small countries like Korea cannot survive without this aircraft (F-5). We are talking about a fighter aircraft which can provide air superiority for these small Asian nations which are besieged by the forces of Communist controlled governments.

Melvin Laird quote in Congressional Record

We believe making an appropriate aircraft available to these countries (Korea) will enable them to shoulder more of their own defense.

Sen. Miller

The "forward defense countries" have the greatest need for assistance and the least ability to pay in dollars or local currencies.

Of the four Korea's and Turkey's sizable and effective forces make a major contribution to the defense of strategically vital areas.

Sen. Dominick

If we can increase the number of excess defense equipment we give to Korea, we would have the ability to have much stronger defense lines and not have to involve the U.S. as deeply as in the past.

Sen. Church

(~~one~~ percent to be paid for excess defense articles)

This amendment would affect Korea. None of these countries is so weak that they could not establish an account for the benefit of the U.S., making their local currency available to us to defray our needs.

Conference Report 91-869 Debate on floor

Sen. Fulbright

In countries like Korea, we could save a great deal of money by requiring that they make partial payment in their own currency for air grant aid. The House adamantly refused.

Foreign Assistance Act of 1971

April 21, 1971 - Nixon sent a foreign aid package to Congress including two separate bills - 1. Security Assistance and 2. Development and Humanitarian Assistance; and recommendations for reorganization of foreign aid act.

p. 5 of Pres's Message * "We are providing Korea with equipment to improve and modernize its defense and we are withdrawing some of our troops."

April, May, & June, 1971 - House Foreign Affairs Committee Hearings.

Highlights of Hearings Concerning Korea

April 28, 1971 p. 58 - Mailliard: "How is modernization program in Korea progressing?, and what is program for next year?

Packard: (Dep. Sec. of Defense)"we were involved in discussions directed at reducing troops in ROK by 20,000. It was difficult to tell ROK about troop withdrawal so supplemental funds (last yr's) helped implement withdrawal - program is now moving along.

p. 66. Broomfield: "- I would hope that modernization would get well underway before any further troop withdrawals in ROK.

p. 82 Buchanan: Asked what projections for aid to ROK in future.

Packard: "there will be a need for an increase in assistance to Korea, in 5 - years - with assistance we have planned /the South Koreans can provide what we call realistic deterrence.

- well - trained ROK forces: capable etc. Time span of 5-years could be shortened if ...security deletion

May 4, 1971 p. 132 (Green - Dept. of State) ROK on way to self-sufficiency thanks to U.S. aid.

Frelinghuysen p. 141 - will modernization be completed soon?

Green: p. 141 - in several years/There has been a reaction of pride among Koreans when they took over from U.S. "One of most compelling reasons behind Nixon doctrine is that it touches the quick of that nationalism." Great progress in ROK.

May 1971 p 349

May 12, 1971 Warren (Defense): makes presentation for 2nd year of 5 year modernization plan. Many security deletions.

ROK needs assistance to respond to North Korean possible threat.

p. 352 - Warren: "We are proposing to continue with very substantial programs to Korea. Except for a small security area near Panmunjom, the Koreans have now replaced the one US division which was taken out along the DMZ.

p. 354 Mailliard: When we withdrew our division did we turn over that division's equipment to the ROK

Warren: "We are turning over those equipments which will modernize ROK forces. Army is working on a list on a (security deletion)

... many security deletions follow

p. 360 Frelinghuysen: "If the rate of help goes down as readily as it seems to be, it is going to be a 15 - year or longer program instead of 5.

Warren: "We have a lot of transfer equipment from the departing units. . . this does not show up in our grant aid program

... many security deletions

... the supplemental for 1971, which really saved the day in the Korean program.

Wolff: Raises question of excess and transfer equipment being in different categories:

p. 361. graft showing transfer of \$55.0 million in U.S. equipment to ROK (authorized by P.L. 91 -652) for FY 71.

p. 362 - Warren: One of the problems during the last 2 years has been that the size of grant aid appropriations was cut so much that a large portion of the money available for Korea in FY 70 and most of it in FY 69 went for operating costs.

Until the supplemental was passed for this year we programed ROK at (security deletions) Every bit of that, except for (security deletions) F-5s, ... was for operating costs. They don't have the money to buy from the US at this time, so it is either grant aid or they don't get equipment.

... (discussion of detailed program for ROK follows with many security deletions)

P. 372 - question of excess units in ROK brought up and Thompson asks why couldn't operating costs be reduced by refusing to support excess units.

Warren: Inflation is a cause and obsolete equipment results in high operating costs.

P. 375 Warren: ROK's foreign exchange situation makes it extremely difficult at this time for her to make substantial cash purchases elsewhere, it could damage her economy.

- many security deletions re: ROK p. 375.

May 25, 1971 p. 448

McCain: Economic growth and stability of ROK since Korean War is reflection of U.S. aid and ROK determination. ... In 1970 a plan for modernizing Korean forces (FY 71-FY75) was developed jointly with ROK. Congress passed supplemental \$150 million in FY 71 over and above \$140 million regular ROK MAP. Withdrawal of 1 US division will be completed June 30, 1971. Before the FY 71 \$150 million supplemented appropriation, investment costs in relation to operating costs had been minimal. The investment picture in 1972 represents the approximate planned level for the remainder of the 5-yr modernization plan.

June, 1971 - Senate Foreign Relations Hearings p. 276 - summary of security related programs for FY 72 showed:

ROK military assistance \$239.4 + foreign military credit sales 15.= \$254.4 million.

excess defense articles \$40 million

p. 341 - 349 Senate Foreign Relations Committee enumerated difficulty in getting access to documents and reports held by extrabanch agencies e.g. 5 - year plan for military assistance.

p. 377 Questions by Senator McGee submitted to DOD

p. 377 #15 Re: ROK

Answer: "We have made no decision at this time relating to future reductions of US forces stationed in ROK."

"Estimated amounts included in the Military Functions Appropriations FY66 - 72 for support of Korean forces in Vietnam and related costs are in millions.

FY 1966	\$65.
67	262.9
68	393.8
69	271.4
70	237.6
71	221.6

p. 378 #20 Would you furnish the Committee with the details, including cost estimates of the 5-year modernization plan for ROK forces?

Answer: (figures deleted) see p. 378 - but of no significance without figures.

July 26, 1971 - H. Rept. 92-380 House FA reported one bill.

p. 23-24 of report: Military assistance section authorizes \$705 million for each FY 72 and FY 73. "The proposed program is designed primarily to advance new initiatives... a five - year modernization program for ROK. . ."

"More than 88% of FY 72 program has been allocated to 9 countries including ROK \$239.4 million.

October 21, 1971 - S. Rept. 92-404. Senate bill authorized military assistance funds for only FY72. Senate military assistance funds for FY 72 were \$565 million Vrs. \$705 million in the House bill, and several restrictions were endorsed, e.g. required the Pres. to submit to Congress a county - by - county list of foreign aid allocations written 30 days after passage of the appropriation bill and limiting to a maximum of 10% any increase in aid in each category and country by transfer of funds from other countries or programs without advance notice to Congress.

- required a 25% payment in foreign currency for US military grant aid.

November 8, 1971 - S. Rept. 92 - 431

Military Assistance for FY 72 (an interim authorization) this bill continued existing programs but at a reduced level, pending enactment of a revised military assistance program in the next session of Congress.

p. 10 of report. A new section (#514) required that a foreign country which receives military grant aid or excess defense articles pay in its own currency 25% of the amount of the grant aid or 25% of the fair market value of defense articles.

December 16, 1971 — Conference committee reported out a single bill (S.2819) containing authorizations for both military (1 yr) and economic assistance (2 yrs)

Conference agreement authorized:

Grant Military Assistance	\$500. million
Supporting Assistance	\$618. million
Military Credit Sales	\$400. million

The Senate requirement that recipient countries deposit in special foreign currency accounts the equivalent of 25% of the aid they receive so that U.S. Government could use the amounts to pay its official costs in the currency of the country was modified by the House conferees to require the deposit to be 10%. . ."excepting certain of the South Korean aid funds."

On Dec. 17, 1971 Senate passed conf. bill "Jan. 25, 1972 the House passed the conf. bill P.L. 92-226.

The House had passed the appropriations bill while the authorizing legislation was still pending. The final appropriation bill was not passed until March 1972 (P.L. 92-242).

Total military assistance in first appropriations bill was \$500 million and foreign military credit sales \$400 million.

Foreign Assistance Act of 1972 (not enacted)

HIRC Hearings on H.R. 13759 March 14, 15, 20, 21, 22, 23, 1972

- | | | |
|------|---------------------------|--|
| p. 3 | <u>Rogers</u> | note troop withdrawal of U.S. 20,000 from ROK. |
| 4 | | note \$235 million requested for ROK military modernization program. |
| 11 | | Plays up importance of U.S. support for 5 years ROK military modernization plan. |
| 46 | <u>Laird</u> | Hits cut by Congress in military assistance--as leading to 40 percent reduction in U.S. aid to ROK military modernization. |
| 55-6 | <u>Morrer</u> | Notes ROK moving to self reliance through U.S.-supported military modernization program. This has led to U.S. withdrawal of 20,000 troops. |
| 80 | <u>Laird</u> | In response to questions by Rep. Gross, notes monetary saving resulting from U.S. withdrawal of 20,000 troops from ROK. |
| 163 | <u>Lt. Gen. Seignious</u> | Discusses in detail 235 million (security aid for ROK) and also background of U.S. support of ROK military modernization plan. |
| 175 | <u>Rep. Frelinghuysen</u> | Hits congressional cuts in programs such as ROK program as short sighted. |
| 180 | <u>Rep. Rosenthal</u> | Asks how congressional cuts have hurt U.S. credibility in countries like ROK. |
| 187 | <u>Rep. Kazen</u> | Wants to know savings resulting from U.S. troop withdrawal from ROK. |
| 205 | Marshall Green | Supports aid to ROK as helping U.S. withdrawal. |

- 214 Rep. Bloomfield Expresses concern if U.S. support for ROK modernization program slackens. Feels that it is cheaper to fund program and withdraw U.S. troops, rather than leave U.S. troops there.
- 229 Rep. Culver Expresses concern over security aid to ROK when ROK human rights conditions are poor.

Hearings HIRC on H.R. 13759 Mar. 28 and 29 April 11, 1972

Hearings SFRC on S. 3390 April 17, 18, 19, 1972

P.

[hearings clearly dominated by issue of Vietnam, Cambodia]

Congressional Record - 1972

- S. 9199 Sen. Sparkman Notes that bill only 1/3 of U.S. military assistance for next FY, and notes that support for ROK forces in Vietnam not included in request.
- S. 9567 Sen. Allott Speaks in support of ROK military modernization programs and hits any proposed limit in U.S. support for this program.
- S. 9641 Sen. Case Hits use of "Korean Mercenaries" in Vietnam.
- S. 10103 Sen. Hugh Scott Proposes amendment to raise amount of security assistance which he says will keep U.S. faith with ROK, will continue promised support for ROK military modernization. Long (2,000 wds.) discourse on why U.S. should support actively the ROK.
- S. 10104 Sen. Dole Rises to second Scott's remarks. Hits cuts made by SFRC.
- S. 10105 Sen. Sparkman Backs Scott-Dole on support against cuts for aid to ROK.
- S. 10107 Sen. Gurney Supports Scott but no specific reference to ROK.
- S. 10114 Sen. Symington Hits using ROK force in Vietnam and U.S. support for those forces.
- H. 7307 Rep. Morgan Notes importance of Security Assistance to ROK.
- H. 7440 Rep. Heinz Hits Korean aid when Koreans hold up passports for adoption cases.
- H. 8643 Rep. Passman Supports maintaining aid commitments across the board.
- H. 8650 Rep. Waldie Supports military aid to ROK, in contrast to past position.
- S. 15869 Sen. Fong Supports Scott in restoring some funds across the board, no specific reference to ROK.

Foreign Assistance Act of 1973 P.L. 93-189

Highlights of Activities Concerning Military Assistance for ROK (South Korea)

NB: A variety of bills were considered and acted on in the course of reaching agreement on a final single version.

May 2, 3, 4, and 8, 1973 - Senate Foreign Relations Committee Hearings on S. 1443 "The Foreign Military Sales and Assistance Act."

Summary of S. 1443 (in terms of items concerning ROK)

- 1) phases out military grant assistance over a 2 -year period and permit loans on concessional terms
- 2) during phase out period, bill requires a 50% payment in foreign currency for grant aid, which will be available to meet US expenditures within the country.
- 3) phases out all military aid missions over a 2-year period

Fulbright: "the major recipients of our military aid - Korea etc. are hardly paragons of democratic government..."

p. 3 - 4 "... in Korea with one - man rule, 20 years after the end of the war there, we still maintain 40,000 troops at a cost of \$600 million annually. ... In addition, we pay out \$150 million or more a yr. for ROK armed forces. This is a country with an army far larger than a population twice of North Korea. Thanks to American generosity, ROK spends only 4% of its GNP on defense, compared with 16% for North Korea which maintains independence from both China and Soviet Union. Perhaps if we had not been so willing to underwrite ROK's military forces

all these years, South and North would have reached some type of political accomodation. It is quite possible that our presence and our aid have served to present the very goal we profess to seek.

p. 7 S.1443 proposed \$110 million for ROK mil. grant assistance.

N.B. \$110 million is cut from Ad. request

May 1, 1973 - In Message from White House printed in Senate Hearings on p. 101

"US can claim a number of successes . . . South Korea built capable forces. . .

Rush (Dep. Sec. of State): "We propose to provide \$261 million in grant mil. assistance for ROK. This will go a long way toward completion of the program for modernization of Korean Armed Forces and thus make possible the early attainment of Korean self-reliance."
p. 104
p. 106 . . .foreign military sales - Korea \$25 million.

p. 111 Fulbright: Do you maintain that ROK... is a free country? free election?

Rush: They have a right to choose their own form of government.

p. 135 Case: What might happen in ROK if we should tell them say in 2 years to start paying for military equipment.

Rush: South and North Korea now engaged in negotiations and to set a time limit on when our troops will come out would harm negotiations.

We would hope that within next 5 years we would be able to end grant mil. ass. to ROK - but we don't think we should set a specific date as of now.

p. 145 Fulbright:..."information that we will spend a total of \$775 million in behalf of ROK's defense, and yet ROK spends only 4% of GNP in defense. (there follows several press articles on ROK and US troops mostly showing waste of US taxpayers money.

May 3, 1973

p. 167 Warnke: We should phase out US troops. . . but not think that this withdrawal requires an increase in the mil. assistance to ROK

May 8, 1973

p. 336-7 Fulbright asks Sec. Richardson why US continues to pour so much in ROK - many references to classified info.

Richardson's short answer: "Stability"

p. 337-8 Excerpts from "Korea and the Philippines: 1972"

Feb. 18, 1973. Senate Foreign Relations Comm. Staff report.
- giving origins of 5 - yr Modernization Plan for ROK - "unclear"
Modernization Plan was to cost \$1-\$1.5 million but ROK's plan was
\$4 billion.

p. 338 of Hearings quoting staff report - important

a few excerpts

"The planned levels for the MAP, to complete the \$1.5 billion modernization plan, were \$290 million in FY 71 and \$239.4 million in FY 72. Because of cuts - \$1.8 million was unfunded in FY 71 and \$84.3 million in FY72 etc. . . p. 355. Pell: is there a master plan to the effect that we really will have withdrawn all our forces at the end of the 5 years. . .

Richardson. No master plan has been worked out in detail at this point - more consultation is needed with the ROK . . . the rate of support for the US modernization program has lagged

JCS

Moorer: p. 382: strategic imp. of Korea . . . reduced funding for MAP in FY 72 degraded modernization plan for ROK by \$85 million. . . so we didn't reach planned objectives FY 73 also cut . . . Now ROK program for FY 74 includes \$238.8 million in grant assistance and \$25 million in FMS.

p. 382 (Moorer) Any significant reduction would jeopardize the modernization plan. . . .

June 4, 1973 - S. Rept. 93-189

p. 5 "Today the problem is not that friendly dominoes will topple under a wave of communism, but that more will fall under military rule. . . . But the major recipients of US military aid - S. Vietnam . . . Korea . . . are hardly paragons of democratic government.

Senate Floor Rebate

June 25, 1973

(International Dev. Act S. 2059)

p. S. 21056 Fulbright: Contrast China with South Korea...with success stories like this our taxpayers could use some failures.

(S. 1443 - Military Assistance)

S. 21123

Fulbright: major recipients of U.S. military aid (e.g. ROK) are hardly paragons of democratic government.

June 26, 1973 -

S. 21547

Tower: argues against cut in military aid to Korea because President needs flexibility to implement Nixon Doctrine - allowing countries such as ROK to take on their own defense and US troops to be withdrawn.

Fulbright: How can \$261 million in outright grants to ROK serve to thwart (S. 21548 territorial aggression?

Does ROK really need one-quarter of a billion dollars in grant military aid this year in order to protect itself from North Korea. . .

the South Koreans do not have to make the hard choice between military and social spending as long as American taxpayers are so generous with their subsidies.

Fulbright: . . . the administration plans to give Korea \$182 million in economic aid in the next FY (press articles re: ROK are inserted at this point)

Fulbright: "it strains credibility to suppose that the ROK
S 21579 would find it rational to maintain such a preponderance
of force on the Korean Peninsula if it were not attached
to the umbilical cord of American support."
. . . perpetuation of forces becomes the justification
for perpetual mil. assistance.

Tower: S. 1443 proposes 35% less than the administrations request . . .

S 21552 adverse impact would be particularly felt in Korea . . .
the ad had proposed for ROK \$261 million. This bill would
reduce that to less than 1/2 that or \$119 million . . . We are
moving into 4th year of modernization program. By reducing
aid and hurting program we could undermine South-North talks
in Korea ROK must be able to negotiate from position of strength
(Tower amendment for increased aid-rejected)

Beall: Argues against countries such as ROK paying 25% of the cost of
(S 21556) military aid surplus equipment. . . Beall's was rejected

June 26, 1974 Senate passed S. 1443 50-42 (ROK - \$119 million)

House Foreign Affairs Committee Hearings on H. R. 9360 - Mutual Development
and Cooperation Act of 1973

May 15-31, 1973

June 5-13, 1973

p. 13 Rush: Military Assistance proposal for FY 74 will: "Provide ROK
with the means to defend itself and to negotiate with North Korea from
a position of strength."

Hamilton: What changes in AID programs ought to occur if there is retro-
gression in a country such as Korea?

Rush: Don't use AID programs to change or influence governments. We should
determine security interests and proceed from ther

Hamilton: But aren't our security interests helped if there are democratic
institutions in other countries in the world - we should encourage
the development of democratic institutions.

p. 113 Moorer: - stresses strategic importance of ROK
- gives need for 5-year modernization program for ROK
- states that reduced funds hurt the plan - plan still
important and argues for increased funds

p. 121

Frelinghuysen: of total \$216 million being asked for ROK what % is for modernization programs?

p. 122 Moorer: "failure to provide resources requested for ROK would further delay modernization program

- such as fighter and training aircraft etc.

- dependence upon US military presence would continue

- security deletion

Taer: p. 157 - the \$261 million for ROK will help complete modernization program and help early attainment of Korean self-sufficiency

House Rept. 93-388

July 20, 1973 p. 39 grant military assistance for ROK total - \$261.289 million

p. 66 foreign military credit sales \$25 million

p. 101 Views of Broomfield and Vander Jagt

"The reduction of \$102 million will cut sharply into the modernization program . . . of ROK. The Korean program has been reduced by 40% each FY 72 and FY 73 . . . this cut will slow the pace of our military withdrawal from ROK.

Foreign Assistance Act of 1974 P.L. 93-559

The Senate Foreign Relations Committee bill as reported to the Senate on Sept. 3, 1974 (S. Rept. 93-1134) contained the following in regard to South Korea:

It provided for the gradual phaseout, over a three year period of military assistance to South Korea; it set a total of grant assistance and excess defense articles not to exceed \$91.5 million in FY 75, \$61 million in FY 76, and \$30.5 million in FY 77. It also set an aggregate total of credits to be extended and loans to be guaranteed under the Foreign Military Sales Act of not to exceed \$42.5 million in FY 75; \$28.3 million for FY 76; and \$14.15 million during FY 77. It provided that no grant military assistance and no credits under the Foreign Military Sales Act were to be extended to South Korea after October 1, 1977. The final conference bill which was passed by the House on December 18, 1974, and by the Senate on December 17, 1974, and which became P.L. 93-559, contained the following concerning South Korea:

It limited the aggregate amount of military assistance, excess defense articles and military sales credits and guaranties to South Korea to \$145 million in FY 75 until the President submitted a report to Congress that the Government of South Korea was making substantial progress in the observance of human rights. In that case the amount of such aid could be increased to \$165 million. This provision reflected the position of the House.

There follows highlights of the House and Senate Hearings and Floor Debates concerning Military Assistance to ROK for FY 75.

FY 1975 FAA HFAC Hearings
S 3394 P.L. 93-559

June 4,5,11,12,13,18,19,20, and 26, 1974

Admin. Witness

In Korea, we are striving to assume that this staunch and loyal ally, which determinedly has resisted continued aggression both at home and side by side w/US forces in Vietnam, is sufficiently strong to deter N Korean aggression and provide stability in the peninsula.

In 1971, US Congress expressly authorized a force modernization program for Korea. Funding has not met this effort.

Vice Admiral R. Peet:

US security objectives in the ROK are to assure that ROK armed forces are sufficiently strong to deter N. Korean adventurism and provide stability on the Korean peninsula.

Mr. Fraser

Amb. Reischaur recently suggested that the administration put some distance between itself and what he described as a totalitarian regime in S. Korea. But, the administration is proposing increased military assistance.

So far you have done nothing to implement sec. of FAA which requires Pres. to cut off aid to countries imprisoning people for political reasons?

D. of State George Vest:

Not absolutely, Korea is a situation in which a balance of interests is involved.

Fraser:

The Congressional statement is absolute there should be no aid - not balanced interests.

Vest:

We have begun the process to try to establish how best to carry out the intent of the act.

Peet:

The modernization plan in Korea is a plan, not a commitment. The 30% increase in aid to Korea is merely an attempt to get further along w/the modernization plan so we can phase out entirely there.

Adm. Noel Gayler -

Modernization of ROK forces has been a major consideration in preserving the armistice, providing the stability necessary for continued growth and the wherewithal to deal from a position of strength w/N. Korea in the changing international climate in Asia.

FAA Hearings by SFRC on S 3394

June 7, 21, 26 and July 24, 1974

Kissinger -

Aid to Korea - geared to 2 things.

1. threat from North K. which recently modernized its forces
2. Reduction of US troops there several years ago and as part of that we began modernization of S. Korean forces.

Kissinger letter -

I want to emphasize that Am. assistance and forces in Korea are not intended to support a particular govt., but to enhance our own security. - and to help create stability on the peninsula.

Nooten -

We continue to think it is in the U.S. interest to maintain a stable situation in Korea.

Fulbright -

In don't like the word stable. What is there so useful to us about stability aside from the fact it is stable w/our client in control?

Nooten -

The "stable" I am referring to is the reduction in fighting, the ability of the people of these countries to lead a normal life.

Schlesinger -

Our prompt assistance and continuing support to Korea permitted that country to maintain its independence. The proposed assistance is meant to help strengthen and make more certain a satisfactory military balance there. This balance is essential for deterrence, for defense, and as an underpinning for negotiations between North and South Korea.

Senate floor Debate

December 3,4,19, 1974

Sen. Fong -

SFRC phaseout of mil. grant aid and credit sales would increase the danger of war against the R of K.

This would signal to the N. Koreans that the U.S. is abandoning Korea. To deny Korea the opportunity to modernize its armed forces is to renege on the assurances our government gave the people of S. Korea when we withdrew troops.

Sen. McGee -

It is important that the Republic of Korea maintain its strong defense capability in order to contribute to the movement toward detente in E. Asia.

(Also to maintain stability on peninsula and to achieve self reliant defense capability.)

House floor debate

December 10,11, 1974

Wolff -

(concerning phase out of aid to Korea)

I find it very difficult to understand singling out one or two nations in the world on repression and pol. incarceration w/out addressing ourselves to all nations.

It would be tragic if this nation turned its back on this faithful ally.

Fraser -

We must assure that our defense aid is in behalf of the kind of government that respects the rights of its people. We've got to find a way to encourage that government to act so we in Congress can be encouraged to help them.

De la Ganza -

There is no logic in asserting human rights for individuals at the expense of the internal security of allies by cutting their military assistance.

Anything we do to curtail military assistance will be sacrificing all of the people of that free nation.

Passing this amendment helps N. Korea.

Buchanan -

This amendment (to cut aid) is an expression of friendship for the Korean people - this incentive to the govt. to honor human rights.

Dec. 11, 1974

H. 39175 Merik: supports Fraser amendment to cut and limit aid to ROK because "action speaks louder than words"

Also, strong misgivings about military assistance in any case. Also, cut in aid to ROK signals our concern.

Gude: Fraser amendment brings to the fore the purpose of our assistance

H 39175 efforts - our humanitarian concern - our commitment to human rights and freedoms.

- "our assistance to ROK has helped produce a garrison state, . . .

Fraser amendment properly restricts aid - but does not cut if off.

Foreign Assistance Appropriations, FY 1976

- 7/10/75 Sen. Appropriations Committee (SAC) hearings -- General Fish, Director, DSAA (p. 1223) points out ROK moving from relying on grant aid to cash and credits under FMS. ROK "among priority recipients of Sec. Asst." ROK made good use of past asst.
- 11/14/75 House Appropriations Committee (HAC) hearings, pt. 4 - Passman (p. 37) calls ROK a "success story" in terms of being a good ally; feels that without U.S. aid they would be forced to over-use their own resources for military purposes and could collapse. Sees need for "strict discipline in ROK due to Communist threat. Says that as long as ROK stays out of U.S. domestic affairs, (i.e. Kent State and Wounded Knee) we should stay out of theirs).
Passman (p. 73) states" It is perfectly obvious that you either have strict discipline in S. Korea or it goes down the drain."
- 11/18/75 HAC hearings (p. 125) Passman expresses hope that HAC will strengthen our support for Korea, rather than diminish it.
- 12/2/75 HAC hearings (p. 228) Koch points out Amb. Reischaur statement that he couldn't understand why U.S. sent so much aid to ROK and why we weren't phasing out troops; also mentioned repression. Fish responds by saying that he doesn't feel it can be argued one way or the other whether aid has an effect on human rights.
Passman (p. 241) says U.S. is behind in its commitments to ROK \$360 million behind.
Fish (p. 246) states that due to being \$360 million short on aid commitment, ROK modernization will extend to at least FY 1977.
- Passman (p. 247) points out that ROK spent \$218.8 million cash last year and refused to buy from any nation but U.S. -- calls it a "marvelous record."
- Fish (p. 328) remarks that no matter what opponents of the Park regime feel about human rights, they view the security relationship between U.S. and ROK as essential.
- 3/1/76 HAC reports H.R. 12203, F.A. App. FY 1976, H. Rept. 94-857 -- committee (p. 40) emphasized large investment U.S. has made in ROK human in the past 25 years. Committee is aware of opposition to ROK due to human rights but feels "unique security situation" facing ROK might make even tighter internal controls necessary -- due to an active, hostile neighbor in N. Korea.

Obey (p. 65) in dissenting views is "offended by report language which seeks to justify the repressive policies of the S. Korean govt." Says (p. 67) he is aware of political and strategic military reasons for close relations -- but we should not try to justify human rights violations "as if they were good."

3/18/76 SAC reports H.R. 12203, S. Rept. 94-704 -- (p. 126) Committee denies increase in IMET grant for ROK over FY 1975 level--based on economic studies.

3/4/76 House floor debate (p. H. 1621) Obey points out to members language in committee report re: Korea and human rights Moffett associates himself with Obey's concern for human rights in ROK.

5/26/76 President requested \$10 million in supplemental appropriation for MAP for ROK during TQ -- cites reason as Congressional action on FY 1976 request which cut aid.

5/26/76 HAC holds hearings on supplemental request -- William Clements, (p. 138) Dep. Sec. of Defense, points to cuts in FY 1975 MAP aid for ROK and pending proposed cuts in FY 76 program as need for supplemental. Emphasizes ROK as stability of E. Asia and importance to Japan; says (p. 142) U.S. has not met commitment for modernization program

Passman (p. 143) points out that over 25 years, U.S. has extended \$2.598 billion in credit to ROK and that there has never been a default.

Clements (p. 146) discusses step-up in N. Korea aggressive behavior recently -- tunneling, disputes on islands, artillery buildup etc.

Fish inserts (p. 154) statement indicating ROK weak vs. N. Korean Navy -- need fast patrol boats which they may not get if supp. app. is turned down.

Koch (p. 155) doesn't see any new evidence of impending threat to ROK and won't vote for more money unless there is good cause.

Passman (p. 159) says he doesn't like some of the policies of Park but sees his regime as a new government that "came out from under a dictatorship. You can't transform a country like that overnight and ask them to accept our democracy."

Passman (p. 160) points out that in past 5 years U.S. has saved \$2 billion by withdrawing some 12,000 troops from ROK -- only spent \$1.5 billion on ROK force modernization.

Obey (p. 171) doesn't see any new threat to ROK, and thus, they don't need more money.

Passman (p. 172) feels present 40,000 troops in ROK will be put in jeopardy if "we don't maintain reasonable levels of security" -- doesn't see \$10 million supp. as life and death for ROK since \$5 million can be picked up elsewhere.

Foreign Assistance Appropriations, FY 1977

4/7/76 House Appropriations Committee (HAC) held hearings (pt. 1) on FY 1977 Foreign Asst. request.

Fish presents same statement (p. 721) and arguments for aid to ROK as he did before HIRC.

5/6/76 Senate Appropriations Committee (SAC) held hearings on FY 1977 Foreign Asst. request.

Walter Ligon, Dep. Director, DSAA inserts similar statement as Fish' re: military aid for ROK (p. 531).

6/8/76 HAC reports H.R. 14260, FA App. FY 1977, (H. Rept. 94-1228). Committee emphasizes (p. 31) large investment U.S. has made in ROK -- is same statement contained in HAC report for FY 1976 appropriations (see 3/1/76). Report also points out new tunnels built by N. Korea increasing the constant threat of hostilities. Feels that if ROK is to survive, "strict discipline must be maintained;" ROK is also very important to security of E. Asia.

Obey (p. 67) in dissenting views inserts similar objections concerning committee effort to justify human rights violations as he did in committee report on FY 1976 appropriations (see 3/1/76)

International Security Assistance and Arms Export Control Act of 1976
(Security Asst. authorization for Rep. of Korea FY 1976, FY7T, FY 1977)

- 10/30/75 - President submitted request for security assistance for FY76 and FY7T which included for ROK \$126.0 million FMS credits (\$1.5 for TQ), \$74.0 million MAP (\$1.4 for TW), \$2.7 million (grant) Foreign Military Training Program (FMTP) (.5 for TQ) and \$25.0 million (grant) excess defense articles (0 for TQ). Administration cited need for a "modernized, balanced armed forces for Korea" to stop the North Korean threat and to "contribute to regional stability in Northeast Asia." Due to reduced appropriations and competing demands, the 5-year modernization program has had to be stretched out.
- 11/21/75 - Senate Foreign Relations Comm. (SFRC) hearings (p. 404), Humphrey expresses support for continuing MAP to Korea despite Congressional expression previous year to terminate MAP; favors specifically identifying Korea as recipient. Sees U.S. obligation for the modernization of armed forces.
- 12/4/75 - SFRC hearings (p. 456) Rev. J. Bryan Hehir, Associate Secretary, Office of Int. Justice and Peace, U.S. Catholic Conference objects to human rights (h.r.) practices in Korea and continued U.S. economic and military aid; favors threatening Korea with gradual reduction of support if Park continues to disregard h.r.; rejects policy of complete withdrawal in response to h.r. issue (complete statement p. 865).
- 11/6/75 - HIRC hearings (p. 13) Kissinger states he strongly supports Korea aid program not only because of historical ties but also as it impacts on Japanese security.
- 11/12/75 - HIRC hearings (p. 227) Lt. Gen. Howard Fish, Director, DSA emphasized that Korea has made impressive progress toward self-reliance in defense.
- HIRC hearings (p. 239) Fish defends request for 250 people involved in MAAG in Korea--need challenged by Cong. Hamilton who predicted a "sharp reduction or phaseout of that kind of personnel in a country like Korea." Objected to having 250 persons supporting military sales program in addition to 42,000 troops who "don't have much to do most of the time."
- HIRC hearings (p. 249) Fish describes grant assistance to Korea as largely consisting of spare parts for aircraft and ships.

- 11/19/75 - HIRC hearings (p. 370) Douglas J. Smith, Special Asst. to the Director, DSAA, supports stockpiling of defense articles in Korea, Israel and other countries.
- 12/17/75 - HIRC hearings (p. 605) Solarz and Fraser offer amendment which provides for "an orderly phased withdrawal of all American troops from South Korea contingent, in effect, upon the substantial completion of the current modernization program; Solarz sees no reason why the South Koreans cannot defend themselves yet he does not favor a precipitous withdrawal; feels Committee should adopt this amendment so that an amendment calling for immediate withdrawal is not offered or carried on the House floor; Derwinski calls amendment "misguided"--does not favor withdrawal as long as Kim Il-sung is in power in N. Korea. Riegle favors amendment.
- 12/18/75 - HIRC hearings (p. 624) Hays speaks out against withdrawal of U.S. troops; says war would erupt in 6 months and we would probably lose Japan as well; condemns Kim Il-sung.
- Fraser (p. 647) states he supports U.S. forces in Europe and in and around Japan but due to the internal situation in Korea, he has problems supporting troops there; says we have to look at our own interests first but is upset about h.r. violations in Korea.
- 1/28/76 - HIRC hearings (p. 651) consideration of the Fraser-Solarz (F-S) amendment resumed; Fraser points out the amendment deliberately offers the Pres. max. flexibility in a phased reduction; Broomfield cites bad timing for talk of reduction as reason opposing amendment--thinks issue should be discussed after the modernization has been completed so as not to give a false signal to the N. Koreans--compares it to Congressional action regarding Angola.
- Findley offers substitute amendment (p. 653) which is similar to Fraser-Solarz section but does not commit the U.S. to total withdrawal, rather requires Pres. to start drawing a plan which would coincide with Korean plan for self-sufficiency--would eliminate any misunderstanding of U.S. policy by N. Koreans.
- Solarz objects to Findley substitute (p. 656) since it only calls for a study on the prospects for a reduction, rather than a phased and ultimate withdrawal; Solarz recognizes commitment to Korea and sees U.S. presence as a stabilizing feature until Korea modernizes--then Korea can be the stabilizing factor.

Hays (p. 658) points out that no matter what the intention of the F-S amendment, it looks like an abandonment of Korea; feels that if the F-S plan will not go into effect until 1978, why not wait until then to adopt it?

Ryan supports F-S amendment (P. 660) by saying it puts U.S. on record of planning on withdrawing--if we continued to express full troop commitment and then backed off during a N. Korean attack, we would lose credibility throughout the world--doesn't think it is that necessary for U.S. to have troops in Korea today--psychologically, there is a need; but practical, no; U.S. can "nudge" the Koreans and Japanese with the F-S language to keep moving toward self-sufficiency.

Fascell (p. 662) doesn't want U.S. troops in Korea if hostilities break out; favors a fixed date for withdrawal.

Fountain (p. 662) calls the F-S amendment a "grave mistake"-- doesn't want Congress to give impression it is chief foreign policy maker; sees advance notice that we will withdraw as having an unfavorable impact world-wide, particularly for our allies.

Guyer (p. 664) F-S amendment is ill-timed and an invitation to N. Koreans.

Hamilton (p. 665) opposes F-S amendment due to timing--it will encourage N. Korean "adventurism" and it reduces our bargaining power with regards to N.-S. Korea peace talks.

Riegle (p. 667) wants, U.S. troops out of Korea since they provide N. Korea a "trip wire" to engage U.S. in a conflict to which we don't know how to react.

Fraser offers (p. 663) amendment to Findley sub. amendment-- basically same but calls for report on plan for withdrawal within 90 days (vs. 6 months) and asks President to look at problem of modernization of Korea; also takes out statement prohibiting military aid after 6 months if President has not made report.

Derwinski (p. 670) amends Fraser amendment with a statement directed at N. Korea.

William Gleysteen, Jr. Deputy Asst. Sec. for East Asia (p. 670) finds Fraser amendment to Findley sub ok except for language re: nuclear free zone in and around Korea--State wants to deal with that issue in a different broader context of all of E. Asia.

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- 2/3/76 - HIRC hearings (P. 674) Findley deletes last two sentences of the Fraser amendment to Findley sub regarding nuclear free zone and statement on No. Korea. Corrected Fraser language by calling for first report in 90 days and annually for the next 5 years. Corrected Fraser amendment to the Findley substitute to the F-S amendment passed (p. 675)
- 1/30/76 - SFRC reports S. 2662, ISA and AEC Act, 1976, S. Report 94-605. Contains \$54.0 mil MAP for Korea.
- 2/24/76 - HIRC reported HR 11963, H. Rept. 94-848; contains \$65. 0 mil. in MAP for Korea and \$80.0 mil. in FMS credits.
- Committee includes reporting requirement (p. 41) which would (1) review Korean progress re: modernization (2) report on U.S. role in mutual security efforts in Korea (3) reports on prospects for a phased reduction of U.S. troops in coordination with Korea's timetable of self-sufficiency--report due in 90 days and annually for five years; Committee intends report to (1) evaluate N. and S. Korea military forces (2) evaluate deployment of U.S. troops in relation to their mission in Korea (3) examine possibility of a nuclear free zone; gives President flexibility to amend report if N. Korea takes hostile action.
- In supplemental view (p. 108) Derwinski feels "We cannot prematurely withdraw our forces from Korea. We must maintain readiness and visibility in the Far East."
- 2/5/76 - Senate debate on S. 2662. (p. S1431) Cranston-Mansfield amendment was offered--same as section in House bill but includes study on prospects for a nuclear free zone in the general area of the Korean Peninsula--Cranston would like to have included a fixed timetable for reduction with withdrawal but felt it might be a signal that "we were abandoning S. Korea."
- 2/17/76 - Senate debate (S. 1752) Nunn offers clarifying amendment to allow existing stockpiles to remain where they are and have requirement that they be maintained only in U.S. bases apply to future stockpiles; feels security of country such as Korea would be threatened since Korea does not maintain stockpiles itself--agreed to.
- Cranston (P. S1739) withdraws his Korean amendment--will include it in FY 1977 security asst. auth. bill--got promise from Humphrey to hold hearings soon on subject.

- 3/3/76 - During House debate on HR 11963, ISA and AEC Act, 1976 (p. H1522) Winn sees major strength of the bill= continued security asst. to the Far East, with aid to Korea being most significant; "Korea is a keystone to stability in the Far East and is a nation which merits U.S. support." Said termination of U.S. aid would not help human rights in Korea--would only encourage N. Korea to act.
- 4/6/76 - Conf. Committee reported S. 2662 (H. Rept. 94-1013)--contained \$55 million in MAP for Korea. Conference Committee also adopted House language re: report on modernization of Korean armed forces and reduction of U.S. troops.
- 5/7/76 - President vetoes S. 2662.
- 3/8/76 - President submits security asst. request for FY 1977 including the following for Korea: \$275 million FMS credits; \$8.3 million MAP; \$2.7 million IMBT.
- 3/26/76 - SFRC hearings on FY 1977 auth.--Sec. Kissinger (p. 8) states Korea continues to be the focus of U.S. asst. in East Asia; says \$ request will "enable us to reach our modernization plan objectives in FY 1977." Calls Korean economic development "impressive" and will enable U.S. to terminate grant asst. after FY 77; U.S. will continue to honor FMS credits due to security needs.
- 4/5/76 - SFRC hearings (p. 44) Fish sees U.S. asst. to Korea as deterring a N. Korean attack and "contributes to the large strategy involving Japan whose stability is linked to the stability on the Korean Peninsula." "Korea now joins our European allies who have successfully made the shift from grant material to greater self-reliance through the use of FMS cash and credit purchases."
- 4/8/76 - SFRC hearings (p. 85) entire testimony focused on aid to Korea.
Cong. Fraser testifies (p. 86)--"It is my belief that how a government treats its own people should be a principle factor in determining the nature of the relationship which the U.S. maintains with that government"--sees little effect of h.r. situation in Korea on President request--"sees presence of U.S. troops in Korea as unnecessary from a strictly military standpoint; they should not be caught there if war breaks out; calls for gradual withdrawal over next several years; troop withdrawal might give more leverage in dealing with Park on h.r. Fraser favors: (p. 39) 1) gradual withdrawal 2) eliminate all grant

assistance for FY 1977 and reduce FMS credits to level of all forms of security assistance for FY 76 3) in future, further reduction or elimination of FMS credits unless h.r. situation improves 4) more forceful statements by President on adverse consequences continued h.r. violations will have on security assistance and bilateral aid.

Sen. Case (p. 99) not sure if U.S. can really do anything about h.r. except disengage.

Philip Habib, Asst. Sec. of State for E. Asian and Pacific Affairs (p. 101) sees U.S. defense commitment in Korea as maintaining a military balance and keeping the peace--if FY 1977 request is approved, the modernization objectives can be met; says size of U.S. forces in Korea is a function of N. Korean threat, ability of S. Korea to meet it and prevailing international situation. Admin. recognizes h.r. problem and has clearly stated objections--but "our basic security relationship with the ROK is not an issue between President Park and his domestic critics."

Morton I. Abramowitz, Dept. Asst. Sec. of Defense, E. Asia and Pac. Affairs--(P. 104) discusses strength of N. Korea forces calling it "one of the most militarized states in the world" Calls S. Korean forces as "formidable." ROK has recently developed its own force improvement plan (FIP) for 1975-80--designed to supplement modernization plan. Says U.S. troops perform following functions (1) deter N. Korea (2) compensate ROK deficiencies (3) discourage outside support for N. Korea attack (4) reassure Japan and others that we will support our mutual defense treaties.

Case (p. 110) stated that even if it is in our strategic interest in the short run, there comes a time when the American people will stop supporting "a regime which is revolting to them."

Cranston (p. 121) express concern over h.r. in ROK but does not advocate sudden withdrawal now; also concerned about presence of U.S. troops if hostilities break out--proposes an amendment to the FA Act which would prohibit funds to support U.S. troops in ROK after 1/1/81 which would allow the ROK to complete its FIP; amendment also includes reporting requirements for Congress to be informed on the plan for implementing the reduction and withdrawal and for helping ROK with its FIP. Security asst. to ROK would be terminated if this plan is not prepared and transmitted.

3/23/76 - HIRC hearings on FY 1977 security asst. auth. request. Carlyle Maw, Under Sec. for State for Sec. Asst. (p. 51) says State very unhappy about h.r. situation in ROK but that we have a "major interest" in keeping N. Korea from crossing the 38th parallel. Calls it "unfortunate that we have a h.r. problem." Not sure where to draw the line.

Fraser (p. 16) says "Mr. Park has gone past my point of tolerance and I won't vote for any more money for Korea so long as he continues to imprison the democratic opposition."

Hamilton (p. 19) finds argument that U.S. has cut back on MAP in response to H.R. as "misleading"--Maw fails to point out that FMS credits authorizations more than doubled between FY 76 and FY 77. Sees little linkage between h.r. and level of military assistance with such a increase.

3/29/76 - HIRC hearings - Kissinger (p. 71) presents same statement gave to SFRC 3/26/76.

5/14/76 - SFRC reports S. 3439, ISA and AEC Act of 1976-1977 (auth. for 1976, FYTQ and FY 1977) S. Report. 94-876. Contains \$55 million (FY 76) and 88.3 million (FY 1977) in MAP for ROK.

Includes report on Korea identical to language contained in HIRC report on HR 11963 (see 2/24/76)

5/14/76 - HIRC reports HR 13680, ISA and AEC Act, 1976 (auth. for FY 1976, FYTQ and FY 1977) H.Rept. 94-1144. Includes \$55 million (FY 1976) and \$8.3 million (FY 1977) in MAP for ROK.

Includes same report on ROK which HIRC added in report in HR 11963 (2/24/76)

Also includes (p. 49) a \$290 million ceiling on all forms of Sec. Asst. to ROK FY 1976-1977 -- also imposes \$175 million ceiling on PL 480 title I. These ceilings are equal to 1975 levels of aid. Imposed ceilings because of h.r. violations (Fraser amendment)

Derwinski in supplemental views (p. 111) calls ceilings amendment "totally at odds with reality." Sees U.S. objective to help ROK forces become self-sufficient and amendment will stand in way of this. Rejects h.r. argument saying ROK "is on the firing line." Says we are sending a message not to Park, but to Kim Il Sung.

Findley (p. 113) also does not see how aid cutback can help h.r. situation. Points out that even Park's opponents in ROK do not want a security asst. cutback. Cuts will only weaken ROK.

5/19/76 - House floor Broomfield (H. 4611) objects to ROK aid cut. Says security asst. should not be used to "wrench political concession" from friends. Points out that some get blinded by our own special causes. Sees contradiction in aid cut--if we're asking ROK to step up its modernization program, how can we cut aid by 40%.

Murphy of N.Y. (p. H4616) feels supporters of aid ceiling have seen only one side of the issue. Views cuts in both PL 480 and security asst as serious and avoid out obligations. Feels Park is aware of h.r. problems and is trying to do the best he can under circumstances.

6/2/76 - Derwinski (p. H5133) offers amendment striking section from bill placing ceilings on security asst. to ROK. Zablocki adds amendment to the Derwinski amendment which also struck ceiling on PL 480. Sees no need to take food aid from people--would damage ROK market for ag. products as well as U.S. produce market. Points of order was sustained against Zablocki amendment.

Fraser (p. H5134) objects to Derwinski amendment because of h.r.

Lagamarsino (p. H 5116) has heard the ceiling will not affect ROK military since it will not affect cash sales--not true since cash sales are for items to maintain Korean troops and not to procure major new equipment. Calls cut in aid "drastic."

Gilman (p. H5137) repeats Lagamarsino arguments.

Fascell (p. H5137) opposes Derwinski amendment. Since aid will be kept at FY 75 level, sees no problem regarding ROK security. Cites Park 8/75 statements that ROK could repel N. Korea attack with proper U.S. air and naval support.

Murphy (p. H 5139) inserts lengthy statement comparing military capability of ROK and N. Korean forces. Feels U.S. must honor commitment.

Findley (p. H5142) supports Derwinski amendment but is troubled by h.r. in ROK. Seeks to amend act by inserting section expressing congressional distress with h.r. in ROK and calls on President to communicate this.

Dellums (p. H5143) opposes Derwinski amendment on h.r. grounds. Also states that in 6 years he has been in House, he hears claims that N. Korea is ready to invade--seen nothing yet. Feels need for troops is political not military.

Martin (p. H5144) sees "imminent threat" of aggression from N. Korea.

Johnson of Colo. (p H5145) compares N. Korea and ROK forces and finds ROK "totally able to care for itself..." We should be examining withdrawal of our forces--not an unneeded increase in military aid."

Badillo (p. H5146) points out other sections in bill which prohibit aid to h.r. violators--some feel ceilings are not enough but at least they are a start. Feels U.S. h.r. policy cannot be taken seriously if we don't act.

Derwinski amendment passed 241-159 (p. H5148)

Fraser (p. H5148) offers amendment to strike ceiling on PL 480 funds for ROK. adopted.

Findley (p. H5149) offers amendment described above. Sees this as a "middle course between jeopardizing an ally's defense or quietly seeming to excuse authoritarian excess."

Wolff (p. H 5149) modified Findley amendment by directing the President to communicate Congressional concern within 60 days. Findley amendment, as modified, adopted.

6/16/76 - Committee on Conference reported HR 13680 (H. Rept. 94-1272) Aid figures for ROK and reporting requirement were identical in both bills so not an issue. Conferees adopted House section regarding Congressional concern over h.r. in ROK

6/30/76 - H.R. 13680 signed. P.L. 94-329.

Military Assistance to Korea 1971-75

92nd Congress/1st sess.

House/Appropriations Hearings
Foreign Operations Subcommittee

May 24, 1971 -

Gen. Robert Warren: military aid to Korea, combined with U.S. force reduction, as part of implementation of Nixon Doctrine (p. 84) basic policy statements.

Passman: military assistance necessary to protect U.S. investment in Korea (est. \$30 billion since beginning of Korean War) plus maintain national security interests (p. 110). Korea as "forward defense country" (p. 136)

Senate/Appropriations Subcommittee

June 23, 1971 -

Gen. Warren: why Korean military assistance needs are so high (p. 462), increase in Korean aid essential (p. 468).

92nd Congress/2nd sess.

House/Appropriations Passman Subcommittee

April 11, 1972 - Laird: improvements in Korean self-sufficiency to be (some statements- "promise unfulfilled" without further military assistance.
April 12) - (p. 633). Cuts threaten U.S. credibility (p.683).

Adm. Moorer: full military assistance funding necessary for Korea for "orderly phase-in" of equipment modernization program, for maintenance favorable economic climate in ROK. (p. 645).

Passman: the relationship between continued military assistance and troop withdrawals approaches a treaty agreement. (p. 670) Long history of assistance to Korea (p. 671). Similar statements (p. 729) "Korea is the one place that you have a concise example of what the Nixon doctrine really spells out." (p. 763).

Edward Roybal: assistance necessary because in U.S. interest that ROK became self-sufficient. (p. 735)

See Gen. Seignious statement (pp. 739-40) for summary of basic DOD position regarding full funding of request for Korean assistance. Reduction of assistance would indicate U.S. not willing to fulfill commitments (p. 787)

Senate/Appropriations Subcommittee

- June 5, 1972 - Adm. Moorer: reduction of assistance request for Korea disrupts modernization program for ROK military--adversely affects economy. Maintenance of 5-year plan continuity important as "effective deterrent." (pp. 891-892)
- Ellender: critical of the modernization of ROK military and U.S. troops withdrawal as apparent quid pro quo which went beyond scope of prior U.S. proposals re troop reduction. (pp. 925-926)

93rd Congress/1st sess. House/Appropriations Subcommittee

- May 30, 1973 - Passman: military assistance and U.S. troops essential to prevent renewed aggression from N. Korea. (p. 961)
Need to protect investment (June 5, 1973, p. 1139)
- Adm. Peet (Dir. MAP): full allocation necessary for ROK because of strategic position, continue and regain lost momentum of modernization program--for "credible deterrent positive" and "defense self-reliance." (p. 964)

- July 23, 1973 - James Schlesinger: "Repeated failure of the United States to fulfill the funding objectives of the modernization plan could raise serious Korean doubts, on both sides of the demilitarized zone, about the long-term reliability of the U.S. commitment." Also: viability of ROK-N. Korean negotiations depend on maintenance of ROK strength. (p. 1329)

Senate/Appropriations Subcommittee

- June 20, 1973 - Adm. Peet: strategic importance of Korea regarding security assistance (p. 1123); also for continuation of modernization plan.
- July 24, 1973 - Schlesinger: Korean strategic importance; speaking against "Serious shortfalls" in security assistance funding for past 2 years. (p. 1274). Similar statements, p. 1279.
- Lawton Chiles: asking question of Wm. Rogers (July 27)--isn't it time we began cutting some costs in Korea, i.e. troop withdrawals? pp. 1323-1328. Reasons: altered world situation (i.e. detente), ROK increase in industrial capacity and armed strength--also domestic problems (inflation).

93rd Congress/2nd sess.

House/Appropriations Subcommittee

June 4, 1974 - Schlesinger: Security assistance to ROK essential for military balance in the area: "A satisfactory military balance in that important meeting place of great power influence is essential for deterrence and defense; it is also an essential underpinning for negotiations between North and South Korea." (p. 1036). Similar statement by Adm. Moorer, p. 1038.

Passman: necessity to protect U.S. investment in ROK, prevent new invasion from North. (p. 1057)

Senate/Appropriations Subcommittee

June 25, 1974 - Schlesinger statement, p. 1056. Moorer: pp. 1067-68.

July 10, 1974 - Adm. Peet: U.S. security assistance objectives re ROK: deterrence, stability, continued military modernization--make-up previous funding "shortfalls." (p. 1120-21)

94th Congress/1st sess.

House/Appropriations Subcommittee

Nov. 18, 1975 - Passman: remarks noting Korean assistance in Vietnam conflict (p. 125). For strong Passman defense of strict (i.e. authoritarian) ROK government controls, see also pp. 73-74, 159-60. Additional comments, pp. 247-48.

Senate/Appropriations Subcommittee

July 10, 1975 - Gen. H.M. Fish (Dir. DSAA) - prepared statement: security assistance to ROK must be continued to preserve deterrent power, regional security and achieve "balanced modern [military] force" for Seoul government. (p. 1224).

Congressional Record: Floor Remarks

93rd Congress/1st sess.

Wendell Wyatt: reduction of military support to ROK a "serious blunder". Reduction would throw away past investment, undermine ROK position in talks with N. Korea. (part 6, p. 7382, 12 Mar. 73) House

Tower: aid reduction weakens Korean negotiating position (part 17, p. 21552, 26 June 73). Senate.

Dellums: referring to "swollen military presence overseas." Point: ROK forces superior to those of N. Korea--U.S. troop presence unnecessary (part 19, p. 24724, 18 July 73). House.

Broomfield: continued military assistance at full levels enables ROK to move toward self-sufficiency, negotiate from strength. (part 20, p. 26173, 26 July 73) House. In response, Mr. Fraser, noting ROK military superiority to N. Korea, suggests retention of small reduction in assistance to Korea (as provided for in final committee report)-p. 26173.

Gerald Ford: in light of past investment and desire for further U.S. troop withdrawals, must maintain high level of military assistance (p. 26173).

93rd Congress/2nd sess.

Fraser: noting section 32 of Foreign Assistance Act for 1974, suggests reduction of military aid to ROK "until it makes substantial progress in observing human rights..." (part 18, p. 23737, 17 July 74) House. In connection with the ROK and human rights issue, those representatives closely identifying themselves with a position critical of President Park were Abzug (NY), G. Brown (CA), Harrington (MA), Dellums (CA), Bingham (NY), Rosenthal (NY), Fraser (Minn.), Roybal (CA), Mitchell (MD), Nix (PA), Stark (CA), Rees (CA). (See letter of 15 July 74 p. 24517).

Metzenbaum: supporting aid cuts for ROK until human rights violations ended. (part 19, p. 24727, 23 July 74) Senate. Church: favors "cessation" of military aid to ROK on basis of rights violations. Also cites GAO report concluding "that South Korea is fully capable of providing from her own financial resources a large proportion of what is now being given her by the United States." (part 17, p. 25407, 29 July 74) Senate.

Meeds: opposing aid to ROK in light of rights violations (part 19, p. 25559, 29 July 74). House. Similar remarks by Koch (part 20, pp. 26426-27, 1 Aug. 74) House. Also Moakley (part 20, p. 26625, 2 Aug. 74) House.

B. ROK DEFENSE PRODUCTION AND MILITARY SELF-SUFFICIENCY

21. Letter from Fritz Werner Industries-Ausrüstungen GmbH to Tongsun Park,
dated April 5, 1968

(Handwritten signature)

Fritz Werner Industrie-Ausrüstungen GmbH



Fritz Werner Industrie-Ausrüstungen GmbH 6222 Geisenheim

Mr. Tongsun PARK

100, First Street
ULCHI-ROH

S e o u l / KOREA

Telefon: (06722) 8141, 8833

Fernschreiber (Telexprint): 042117

Telexgramme: Renrew Geisenheim

Frankfurter Bank, 6 Frankfurt/Main 1
Konto-Nr. 059

Rheingauer Volksbank eGmbH,
6222 Geisenheim, Konto-Nr. 2027

Deutsche Bank AG, 6 Frankfurt/Main 1
Konto-Nr. 96/8149

Postcheckkonto: Frankfurt/Main 145478

6222 Geisenheim

5th April, 1968

Ri/ is-

Subject: COREA-Offer for an Ammunition Factory for the Manufacture
of Ammunition 7.62 mm x 51 Nato Standard for South Corea-

Dear Mr. Park,

With reference to the correspondence with the MEREX Corporation, we have pleasure in enclosing our informative offers for an ammunition factory in Corea.

We have prepared two different offers, one for a capacity of 3 million cartridges per month in single-shift operation for a total price of DM 11.263.900, and the other for a capacity of 5 million rounds per month, based on single shift operation. The total price for the second offer is DM 13.272.600, --.

The equipment we have offered is very comprehensive as we worked on the assumption that this factory should operate completely independently and should not be incorporated into an existing plant. Correspondingly, as you can see from the offer, we have also included a complete toolshop to provide the facilities to produce the necessary tools for the ammunition manufacture yourselves and, furthermore, to enable you to carry out the maintenance and repair on the actual production machines. It will only be possible to finalise the definite layout of the plant by discussions with the appropriate Corean authorities.

We are, of course, also prepared to send a specialist for ammunition manufacture to Corea for final negotiations should it become apparent in the course of your discussions that the project is considered necessary by the Corean

FRITZ WERNER

GEISENHEIM/RHEINGAU

BLATT 2

VOM 5th April, 1968 Ri.

AN Mr. Tongsun PARK, Seoul / Korea

We wish you every success in your negotiations and would request you to keep us informed.

Yours sincerely,

FRITZ WERNER

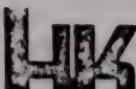
INDUSTRIE-AUSRÜSTUNGEN GMBH

ppa *Fritz Werner* ppa

Encs.: Offer No. 3316 with technical specification
Offer No. 3317 with technical specification.

22. Letter from Heckler and Koch GmbH to Tongsun Park, dated April 10, 1968

HECKLER & KOCH GMBH
OBERNDORF-NECKAR



7238 Oberndorf-Neckar, Germany, Postfach 130

Mr. Tongsun Park

1713, 22nd Street, N.W.
Washington D.C. 20008 / USA

Kreissparkasse Oberndorf/N. Konto-Nr. 81080
 Württ. Grenzrechts Ravensburg Konto-Nr. 2636
 Deutsche Bank Pforzheim Konto-Nr. 10 400
 Postscheckkonto Stuttgart Konto-Nr. 87 68

Fernruf: Oberndorf [07 423] 696 und 7121
 Fernschreiber: Nr. 07 021 381
 Drahtwort: Hecklerkoch

Ihr Zeichen:

Ihre Nachricht vom:

Unser Zeichen:

Datum:

Lp/Wk/Ks/61705

10th April, 1968.

Notriff Korea

Dear Mr. Park,

Referring to our letter of the 2nd April, 1968, as well as to our offer having meanwhile reached you, as we hope, we should like to make the following supplementary statements.

A German semi-official authority has informed us that your country is possibly interested in procuring rifles in the cal. 7.62 mm x 39 within a short time. You know this caliber from our latest letter. We would therefore be very pleased if you could assist us in this matter in connection with our offer. Perhaps you have already similar information.

First of all Korea would to our mind order some samples of our weapons in this caliber for testing purposes. If so, we would be willing to deliver such samples to Korea free of charge and without obligation. For the exportation we need, however, an End-Use Statement according to the enclosed sample, to be signed by an official department of the Korean Government or of the Korean Ministry of Defence.

Looking forward to your early news, we remain,

Yours faithfully,
 HECKLER & KOCH GMBH

encl.

German original
 End-Use Statement
 (sample)

cc.: Mr. Tongsun Park, Seoul

013945

23. Letter from Ted Lang, Lang Yacht Co., to Tongsun Park, dated May 6, 1968



LANG YACHT CO., INC.
MARINE AND INDUSTRIAL FIBERGLASS FABRICATORS

May 6, 1968

Mr. Tongsun Park
1713 22nd Street, NW
Washington, D.C. 20008

Dear Mr. Park:

Pursuant to our conversation last week regarding our proposal bidding for the work of designing and building approximately fifty 37' high speed patrol boats for the South Korean Government, the following is a brief resume of our history, facilities, and capabilities.

My New York companies, Lang Yacht Co., Lang Boat Sales, and our most recent expansion, Maine Shipbuilding Corporation, Rockland, Maine have for almost twenty years been engaged in design, construction, sales and repairs of ocean worthy small craft and have satisfied customers with special and custom boats of varying types, usually with a complete design and construction, as well as designing for construction by others. We retain ranking naval architects for design and consultation, and are familiar with wood, fiberglass, steel and aluminum craft up to 65' in length as our primary areas of work.

Our families have a history of six generations of boat building, and we are presently completing construction of a large new deep-water fiberglass boatbuilding facility in Rockland, Maine (Maine Shipbuilding Corporation) primarily to build large stock and custom fiberglass vessels up to 130' in length, although our initial manufacture will be in the 27' to 65' sizes.

Our Maine plant is the largest facility for building fiberglass power craft in the northeast of the United States, with about 55,000 square feet of shops for glass parts manufacture, and our shipyard property is more than a half mile long.

During World War Two, a large number of 136' wooden minesweepers were constructed on the building ways that are now a portion of our facilities, and the Rockland, Maine coastal area has the largest number of skilled boatbuilders on the east coast. This labor availability was the primary reason for the relocation of boat building operation to the new plant facility.

In our New York yard, we have full facilities to build the 37' fiberglass patrol craft we are proposing, and since hull molds and patterns have been recently completed for this size boat, we could save approximately nine months of design and mold building and start production immediately upon receipt of order and deposit, at the rate of about one hull start every two weeks, with completion time of approximately one hundred days per boat, as designed with standard equipment.

At time of completion of our new plant facilities, scheduled for 20 August, hull starts could be speeded up to about two boats per week, and completion time per unit could be dropped to about 70 days.

It is hoped that by November, hull starts could be increased to three boats per week, and construction time further reduced to about 60 days, so that the fifty boats proposed could be completed by April 1969, assuming a "go-ahead" date in late May 1968.

After analyzing the request for high speed police patrol boats for intercept work under open ocean conditions, we feel that our 37' patrol boat, as per enclosed design, would best fill the requirement for a high sustained speed, maximum range boat that can carry an effective payload of crew, cargo or armament under open ocean conditions.

While we can offer immediate start of construction in 27', 31' and 37' sizes as molds are completed for these sizes, and prompt delivery of 45' or 55' patrol craft (designs of which are completed), we feel that our 37' hull design can maintain the highest possible speed in rough water, at the best price per unit.

Our suggestion for power, due to the unusual severity of sea conditions to be encountered on your coast, the need for almost instant maximum power from start-up, and the apparent desire for high endurance speed at almost flank power, long range, and economy and reliability of operation, would be twin diesel power.

As designed, we feel that our 37' patrol boat could be powered with up to twelve hundred horsepower, but if speeds in the 35 knot range are adequate, that twin 370 HP diesels of a four cycle design which can burn a wide range of fuel grades would be the most appropriate, and would provide the best all around performance, range, payload, and reliability. Standard 300 gallon (US) fuel capacity will give an effective range of 270 Nautical Miles at an estimated cruising speed of 35 knots, and 250 Nautical Miles at estimated full speed of 39 knots, at displacement of 15,900 lbs, of which 15,700 lbs. is designed boat weight, 900 lbs. average fuel weight, and 1300 lbs. of crew, gear and armament. Displacement increases will decrease

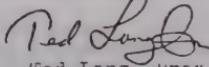
speed by approximately 1 knot for each 800 lbs. or, for a total displacement of 21,000 lbs. (approx. 7,300 lbs. fuel and gear), cruising speed would be in the range of 31 knots, and maximum speed would be approximately 55 knots, still in the speed area requested. Therefore if longer range or more payload were desired, a high speed could still be attained.

We feel that our hull design is far superior to that of any other manufacturer for open sea conditions, and will allow the proposed patrol craft to maintain in excess of 90% of estimated speeds in ten foot sea conditions, due to our high deadrise, non pounding planing hull design. This advanced hull design will allow our vessels to operate at high speed under sea conditions when larger craft might have to return to port.

Life expectancy of fiberglass hulls should exceed twenty years under normal conditions, with a minimum of maintenance.

Trusting this information shall be of use to you in the evaluation of our bid proposal.

I remain, Sincerely,


Ted Lang, Pres.
LANG YACHT CO.

24. International Market Report, June 19, 1969

MARKETS, PRODUCTS
June 19, 1969
Page A-93

international market report

Number 24/Part 2

ISRAELFrench arms embargo may be lifted

The invitation of Israeli officials to the recent Paris Air Show (REPORT, p. 84) was interpreted in Israeli circles as a first sign that the French Government will shortly rescind its earlier embargo on arms shipments to Israel (REPORT, p. A-13). Now reports from Israeli sources in Paris indicate that France will lift the embargo even sooner and pave the way for the delivery of 50 Mirage V fighters, ordered and paid for by Israel.

KOREAM-16 production and arms deliveries approved by U. S.

The U. S. will continue military aid to the Republic of Korea, at a rate of about \$150 million a year for aircraft, small arms, radar and ships, Deputy Defense Secretary David Packard said on June 12.

He said the South Korean air force will start receiving its first F-4 Phantom in August. The \$52 million 18-plane squadron will be delivered by October. And he reported the Koreans have requested additional F-4s as well as more F-5s to compliment the 82 they now have.

Packard said the South Koreans have "a good deal of World War II aircraft equipment" and they have difficulty in maintaining it and getting spare parts. "They need more equipment and they deserve it." Packard also said the Koreans requested more radar and small naval vessels for coastal defense during a two-day Defense Ministries Conference in Seoul. He said the U. S. is unable to provide this equipment now but will study how to supply it. He said the North Koreans in 1968 launched 219 attacks along the coast among 761 recorded incidents of exchanges of fire.

Packard added that the U. S. has begun shipping the first of 700,000 rifles, mostly World War II M-1s, to help equip the two-million man Republic of Korea Homeland Defense Reserve Force. And he indicated the U. S. will go further in authorizing South Korea to build U. S. M-16 rifles on license. He said it would take "several years" to put the \$10 million factory in operation but "in my view this is a good thing to do."

LICENSE RIGHTS WITH PENTAGON NOT WITH COLT'S!

AMERICASUNITED STATESBendix reports record level for international profits

W. Michael Blumenthal, president of Bendix International of New York, N. Y., said income from international operations reached a record level of \$525 million in 1968 and that further advances are planned for the current year. A major portion of Bendix' overseas sales volume and related profits are not consolidated.

Blumenthal reported that growth of Bendix International's sales has averaged 15 percent a year for the past four years and added that this rate is expected to be accelerated in the next three years.

He also said that both export sales and profits exceeded goals set for the first quarter and cited improved performance of foreign manufacturing affiliates in Argentina, France and Spain. The company expects to make up for a lag in licensing revenues experienced in the first quarter during the remaining three quarters.

This is an intelligence report on international defense and government markets, not a statement of editorial opinion. Reproduction of this material prohibited without consent of the editor. Published by American Aviation Publications, Inc., 1156-15th Street, N.W., Washington, D.C. 20005. Tel.: (202) 293-3400. Address all inquiries to J. H. Wagner.

25. Letter from G. Bauch, Merex Corp., to Tongsun Park, dated December 8, 1969

Mr. Tongsun Park
c/o Miryung Sangsa Oil Co., Ltd.
100 First Street
Ulchi-Ro, Seoul
KOREA

8 December 1969

Dear Tongsun:

As we have the opportunity to write to you in a highly important matter, we should like also to enquire about the stage of negotiations with regard to our former offers for:

Speed Boats
Ammunition Factory
Rifle Factory

We would appreciate to get some news because we have been contacted several times within the last half year by the German companies which prepared these quotes in 1968 for your country. We think it would only be fair to at least inform them whether there still are chances to conclude any contracts with regard to the above-mentioned equipment.

Please be kind enough to also refer to these points in writing.
With personal regards,

Sincerely yours,
MEREX CORPORATION

G. Bauch

26. Letter with enclosure from G. Bauch, Merex Corp., to Tongsun Park, dated December 8, 1969

Mr. Tongsun Park
c/o Miryung Sangsa Oil Co., Ltd.
100 First Street
Ulchi-Ro, Seoul
KOREA

8 December 1969

Dear Tongsun:

It was a refreshing surprise to hear your voice on the telephone. Together with Mr. Kim we worked on Sunday morning four hours to get at least partial prices together for your requirement.

We understand that Mr. Kim was on Sunday evening (Washington time) successful in conveying the information. In order to make things more clear, we should like to attach a Memo which you may use for your negotiations in order to be able to give more detailed explanations and in order to determine more clearly what is really wanted.

Our telephone quotations cover partly surplus and partly new production equipment. Surplus equipment, as you know, has to be bought by us directly from the German Defense Ministry or any other defense ministry in Europe. Prices given are negotiable, depending on the quantities ordered.

The prices for new production items we took from offers to other countries in order to give you a price idea. These prices also depend upon quantities ordered. As soon as we receive from you the exact designation and quantities we will be able to give you a confirmed quotation for new production by the factories involved.

Moreover, as the quantities are rather large, we would kindly ask you to get from your Government a Letter of Indent, because such a letter stresses the seriousness of the requirement and manufacturing companies are more prone to make efforts to more closely define their prices. In this business, prices depend to a large extent on the production capacity and the back-log of orders existing. The Letter of Indent enumerating and specifying the items wanted could be addressed to our company or to yourself, in which case you would write us a cover letter authorizing us to use this Letter of Indent in your name.

We know that the situation in your country is such that these items will have to be bought in the near future and we hope that, with common efforts, we may be able to secure at least some orders for this equipment. In addition to the Letter of Indent, it would be advisable to get information whether your authorities also try to get quotations from MAAG, because we believe if this happens we may not be competitive, as the United States Defense Department is able to quote prices which are based on the huge quantities which they place with various U. S. companies.

Please keep these facts in mind in order not to waste your and our time and money.

Hoping to hear from you real soon, we remain with best personal regards,

Sincerely yours,
MEREX CORPORATION

G. Bauch

Enclosure

MEMORANDUM

1. Twenty million rounds of .50 ammunition for Browning machine gun, linked, 4 ball 1 tracer or, 3 ball 1 tracer.

Because of lack of time, only surplus ammunition of the production year 1960-61 could be offered, which had been laboratory tested at the end of 1967 and proved in condition Code 1. The ammunition is US/NATO standard, linked: 4 ball DM11, German nomenclature equivalent to US-M33; 1 tracer DM21, German nomenclature equivalent to US-M17, FSN 1305-028-6582/AF56/A556. The caliber is .50 (12.7mm x 99mm). Delivery can be made within two to four months after confirmation of order and export license, subject to prior sale. Packing: 100 rounds/belt; 1 belt/container DM1; 2 containers (200 rounds) wire-bound plywood case DM1, weight: 34,02 Kg., Volume: 0,024 cu.m.

Specifications: we attach enclosure 1; see Caliber .50 ammunition.

Price: FOB German Port is DM 910.00 per thousand rounds.

Please Note: The rate between the dollar and DMark since October 27, 1969, is US\$ 1.00 = DM 3.66.

Quotations for new ammunition--as the abovementioned pertained only to surplus ammunition available--will take about three weeks.

If there is a quotation wanted for the .50 ammunition, linked, 3 ball 1 tracer, we have to ask the factory to make a special quotation because according to U.S. and NATO standard they are normally linked only 4 ball, 1 tracer. As the tracer ammunition is more expensive than the ball, an offer for 3 ball, 1 tracer will turn out more expensive than 4 ball, 1 tracer.

2. 20,000 Cartridges (grenades) for Howitzer 105mm.

Surplus ammunition for this caliber is not available for the time being.

New production, 105mm HE M1, dual grain, with charge and fuze PD (point detonating) M51A5, one-half-second delay, for Howitzer M2A1 and M4.

Weight of projectile: 14,960 Kg.

Weight of bursting charge: 2,068 Kg.

Number of charges: 7

Muzzle velocity: min. 198m/s; max. 472m/s.

Price: FOB European Port

US\$ 45.20 ea.

Delivery: starting June 1970, with a monthly rate of 5,000 to 10,000 rounds.

Packing: 1 container, cardboard M105 (US) per shell, 1 wooden box with two shells.

The requested HEAT shells could not be quoted for the time being. An offer can be acquired within three weeks. In addition, it has to be clarified whether the Korean Government also wants this ammunition with delayed fuzes, as the fuze MTSQ. This fuze, acquired separately, is FOB European Port US\$ 23.30.

3. Self-propelled Heavy Artillery, 155mm similar to U. S. Model Long-ton, 4 each.

The above-mentioned equipment is no longer available as surplus; new production items can only be acquired from government to government, from the United States.

Ammunition for this gun can be quoted from European new production, provided the ammunition is more specified.

4. Heavy Barrel Machine Guns, Caliber .50, Browning AN-M2, 2,000 ea.

If new production machine guns are wanted, they can only be bought from government to government.

There are 90 units Heavy Barrel MG, AN-M2, FSN 1005-322-9715, as new, un-used surplus available for DMark 3,100.00 each, FOB German Port. Delivery time between 4 and 6 weeks. See attachment 2.

There are, however, available Browning Machine Guns AN-M2, FSN 1005-726-5644 (not heavy barrel) 996 new, un-used surplus, FOB German Port DMark 1,180.00 each. Delivery between 4 to 6 weeks. See attachment 3. This material is subject to prior sale.

Furthermore, there are up to 215 items, spare parts, brand new, un-used, for both Browning machine guns available. Price FOB German Port DM 4,028,400.00. See enclosure 4.

5. Napalm bombs, 350 lbs., 500 lbs., 750 lbs.

At this time only a 250 Kg. (300 liters) which equals approx. 500 lbs. can be quoted FOB German Port DM 901.60 each. Delivery starting 4 to 6 weeks after receipt of order, with a monthly rate of 500 units. The other two bomb sizes can be quoted within four weeks. See attachment 5.

6. Anti-Personnel and Anti-Tank mines.

a) Anti-personnel mines DM11.

Non-metallic, made of plastic material, explosive charge consists of 100 grams TNT. Weight approximately 200 grams. Details see enclosure 6. New production, FOB German Port, DM 11.10 each. Delivery time: 4 months. Packing: 20 mines in a wooden case, gross

weight: 7,2 Kg. Dimensions of case: 450 x 220 x 92 mm. Volume: 0,009 cu. m.

b) Anti-Tank mines.

Could not be quoted at this time. It will take about three to four weeks to submit quotation.

7. Hand grenades.

a) Offensive hand grenade PL60.

Used by German, Austrian and Swiss forces, new production, FOB German Port DM 7.60 each. See enclosure 7.

b) Hand grenade, fragmentation, PL61.

Plastic body, steel fragments. Used by German, Austrian and Swiss forces, new production, FOB German Port DM 8.20 each. See enclosure 8.

Other types of hand grenades can be quoted if so desired and quantities specified.

REMARKS WITH REGARD TO PRICES:

All prices quoted are negotiable because there was no time to have these prices confirmed within 24 hours. This refers to surplus and new production. Quantities, once really determined, will have a bearing on the prices.

Furthermore, it will hardly be possible to get, for new production items, the production price from the factory. Factories will only quote one sales price.

A market price does not exist, neither for new nor for surplus items. A price guidance may be got from the MAAG as a government acquisition cost which, of course, may be lower than any other commercial price owing to the huge quantities ordered by the U.S. government.

To facilitate our work, and to enable us to get the lowest prices for the new production items from the factories and, for surplus items from European governments, we kindly ask you for a Letter of Indent, enumerating the quantities and specifying in detail the types wanted.

27. Interarms interoffice memorandum, dated December 6, 1976

I N T E R A R M S

INTER-OFFICE MEMORANDUM

TO: INTERARMS Va(RSW)

M(SC)

DATE:

6th December 1976

FROM: INTERARMS Ma(SC)

W/M/12/1

1. Meeting with Tong Sun Park:

He was in a suite at the Dorchester, accompanied by a Robert Conkling and a Peter Bartholomew, two youngish Americans who are, respectively, his arms adviser and personal secretary. He, himself, is about 43-years old, but looks younger -

as the Asiatics always do compared to us, worn out Westerners. He looks like we all looked twenty years ago. He is organising a military buying and selling office in London for the Korean Government, and is leaving for Korea via Abu Dhabi, tomorrow. He will probably be back in London about this time next month, and I may see him again. He assumes, straight off, a role as an "all-seeing Easterner", and talks in a quiet voice, in perfect English, as he was educated in Georgetown. His family is from N. Korea, but they left shortly after 1945, although he pointed out that the N. Koreans are generally considered the intellectual superiors of the South Koreans. I responded with some suitably complimentary words about Kim Il Sung, the Sun of the Nation of N. Korea. These comments, plus some other obscure references to odd details of Korean history made him believe that I had spent some time in that country and, when I correctly told him I had never been there, he then became even more suspicious. His discussions with me were centred on the following details:

- a) Need for M48 Tanks:- He said they need four sample units to use as a basis of a conversion programme, since they want to re-manufacture all their M48's into the M60 series. I politely told him that we had none at present, and we did not expect any and, therefore, to our regret, he could not rely on us for this item, and I did not know of any realistic source anywhere, aside from the U.S.G or, possibly, some other government.
- b) Reproduction Arms for the USA:- He showed me the leaflet that Harper's Ferry Arms and Co has prepared for the American Market, and I had seen their advertisements in a recent American Shooting Magazine. He claims these reproductions are perfectly made, and they already have some orders. This business is handled by Mr Conkling, who knows Tom Nelson and Val Forgett and other American Dealers. Park claimed they would like us to handle this material because of our large distribution network. I low keyed my response, although kept it basically favourable, and said that he should really work this out with you. I noted, in general, that his cost prices for the M.1861 Springfield and the French Flintlock "Charleville" Musket and the Maynard Carbine should be in the region of \$50.00 each, f.o.b. Korea, and perfect in every technical detail. I told him if the quality and the price could be met, we could guarantee him substantial orders. He said that other American dealers had approached them for other Reproduction Arms, but he did not elaborate.

Mr Conkling returns to the US this week, and he may contact you next week..

- c) Military Business:-He outlined the new Korean policy to try to become more independent on their arms procurement than heretofore, but he said they needed proper international advice regarding both procurement and the disposal of their surplus. I again low keyed an affirmative reply, indicating that we could, doubtless, assist in all these matters under proper mutual arrangements. I alluded, vaguely, to our Singapore arrangements and suggested that something in the nature of a consultancy contract might be considered by us with our service based in the UK, in light of their own new office there. He said he would take this up with President Park, in Korea, this month, and we could discuss it further on his return to London. I agreed with this.

All in all, the meeting was cordial and not without a certain mild bit of amusement when he alluded to his current Press problems in the US, and I indicated that it was my understanding that if he landed anywhere on American soil, a howling lynch mob would immediately form and give him summary justice. He also complained about the American I.R.S which, he said, continually harrassed him, even though he had always lived in America under a tourist's and not a resident's visa, and never stayed more than six months in one year. I indicated that we had a mild familiarity with the I.R.S and we could sympathise with his position. He claimed he was basically in the shipping and oil business, but had a "lay-man's interest" in the armament business. He is an astute type of oriental operator, and works on the general ignorance of westerners regarding how the orientals think. I don't blame him for this at all, as I would probably do the same if my name had been Pundit Nehru but, having grown up in the land of the Hindu Rope-trick, I am prepared for anything. In any case, I do not expect one thing or another from Mr Park, but will carry on with our discussions, possibly next month, when he is back in England and I will also probably be here.

In the meantime, I would submit that the excellent appearing replicas which they are making should be investigated further with Mr Conkling if he should contact you shortly. They were very pleased with your modest orders of ammunition, and I indicated these would continue as long as they remain competitive. My own view is that I do not really want to get us into another Singapore contract, as such; since we do not have the personnel to staff it out. On the other hand, if we could act as advisers to their new London office and handle their surplus for them both here and in America, this might have some possibilities, and it is certainly worth further discussions.

If you have any comments, or specific points, I would like to have these. Park said, incidentally, that the Pacific Development Corporation and Mr Kim, whom you have worked through on your ammunition matters, both belong to his organisation; you probably knew this, but I pass it on anyway.

28. Letter from E. T. Reardon, Colt Industries, to the Minister of National Defense, dated March 17, 1977

Colt Industries



Firearms Division
150 Huyshope Avenue
Hartford, Connecticut 06102
203/278-8550

11/12/77
March 17, 1977

CCIVS
1.
H. P. Stune

Minister of National Defense
Republic of Korea
Seoul, Korea

SUBJECT: M16 Rifle Agreements Between the Government of Korea and Colt

Gentlemen:

We have enjoyed an amicable and businesslike relationship with your Government from the inception of the M16 Program, and hope and trust this relationship will continue to flourish to our mutual benefit.

As you are aware the written agreements between us grant you only the right to manufacture rifles and parts for your use, and not for sale. We have received disturbing reports of sales or attempted sales in other countries by your Government or persons purporting to represent you, which are clearly in violation of the License and Technical Assistance Agreement Terms and Conditions, if true.

We are taking this opportunity to advise you that any and all such activities should be ceased at once. In addition, any such sales activities would be of vital concern to the U. S. Departments of State and Commerce. We are, by copy of this letter advising them of our concern.

We trust you can appreciate our concern and the need to bring this matter to your attention. We would appreciate your comments as to whether such activities have indeed taken place, so that we may assess our position and so that we may advise the aforesaid U. S. Agencies of your response.

Yours truly,

E. T. Reardon

E. T. Reardon
Manager
Contracts-International Administration

ETR/edu

bcc: G. Curtis, F. Decker, P. Cubbins, D. Lynds, R. Roy, R. Stilwell
H. P. Stune

29. Letter from H. P. Stone, Colt Industries, to Maj. Gen. Yoo Sam Suk, Ministry of National Defense, dated April 25, 1977, with two attached letters from the Ministry of National Defense

April 25, 1977

Major General Yoo, Sam Suk
Republic of Korea Army
Ministry of National Defense
Office of the Director
Defense Industry Bureau
Seoul, KOREA

Dear General Yoo:

Thank you for your letter of April 14, 1977, expressing your thoughts on Mr. Reardon's letter relative to our licensing agreement. The identical letter was sent to all three of our licensees as a result of many confidential reports that M16A1 rifles, spare parts and accessories were being offered for sale to our various customers by individuals purporting to represent one of our licensees. The situation developed in March and the letter was sent out in March when I was out of the country for an extended period of time. I appreciate your confirmation of the fact that Korea is not offering these for sale. As you realize, the U.S. State Department expects Colt to exercise control over its licensees relative to the quantities produced and their use.

It was indeed a pleasure to see General Kim and Colonel Kang in Washington a short time ago. General Kim expressed the possible interest of the Republic of Korea amending the license agreement to produce additional rifles to meet your country's requirement. I believe that he has passed on to you that Colt would be willing to do this, recognizing that your accelerated production schedule enables you to finish the initial quantities during the latter part of this year. It might be appropriate for us to proceed on this as rapidly as possible in order that you may be in a position of placing the necessary purchase orders for materials with adequate lead time to avoid any lapse of production in the factory. I should further point out that we are experiencing extreme delays in all of our export license applications being approved at this time. This is true for any

country where applications that used to take a few weeks for approval are now taking a few months. Of course, an amendment to the license agreement would have to be cycled through the State Department once again.

I look forward to receiving word from the Republic of Korea regarding their decision on the production of additional quantities of M16's for the Republic of Korea.

Sincerely yours,

H.P. Stone
Vice President
International Operations

HPS/IA

cc: E. Reardon
P. Gubbins
R.E. Roy

RECEIVED

APR 26 1977

H. P. SIONE

REPUBLIC OF KOREA
 MINISTRY OF NATIONAL DEFENSE
 SEOUL, KOREA

OFFICE OF THE DIRECTOR
 DEFENSE INDUSTRY BUREAU

14 April 1977

Mr. Edwin P. Stone
 President, International Operations
 Firearms Division, Colt Industries
 150 Wunshone Avenue
 Hartford, Connecticut 06102
 U. S. A.

Dear Mr. Stone:

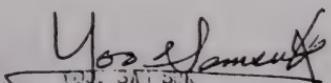
During the past years, our production schedule for the M-16 rifles has been successfully launched, which is attributable to your positive support and friendly cooperation. In this regard, we would like to express our sincere appreciation.

However, we have recently received an unexpected letter from Mr. Pearson, Manager, Contracts and International Administration, Colt Firearms Division, which request us to cease attempting M-16 rifles sales to third countries. For your information and attention, I have attached herewith copies of Mr. Pearson's letter and my reply.

It is to be regretted that we are advised from your staff to cease infringement of the mutual Agreement. As you understand, we still need more rifles for in-country requirement. In case the situations are developed and enable us to sell such items to third countries, we, no doubt, will immediately consult in advance with you and your Government. We would like to know the source where such groundless rumour was generated, which is only detrimental to the traditional friendly ties between our two countries.

We hope Colts would trust us and be with us in keeping the terms and conditions of the aforesaid Agreement.

Sincerely,


 YOO SE-JONG
 Major General, ROK Army
 Director

Strong for rep'y

REPUBLIC OF KOREA
MINISTRY OF NATIONAL DEFENSE
SEOUL, KOREA

OFFICE OF THE DIRECTOR
DEFENSE INDUSTRY BUREAU

14 April 1977

Mr. E.T. Readon
Manager
Contracts-International Administration
Firearms Division, Colt Industries
150 Wavshop Avenue
Hartford, Connecticut 06102

APR 22 1977 ERH

Dear Mr. Readon:

We have acknowledged your letter of 17 March 1977 regarding M-16 Rifle Agreements between the Government of the Republic of Korea and Colt Industries.

It was a sudden surprise to receive your letter which advises us that our Government is attempting sales of M-16 rifles to third countries. I understand that there is not a M-16 rifle or even a small part of it which was sold to other countries by our Government. In order to cope with the North, we need more rifles and parts of it for in-country use. Therefore, Brigadier General Kim, Sang Hun and his party were sent to the United States last month to consult with your Government and your Company on the additional production of rifles. As you already be aware, the sales of ROK Produced M-16 rifles to third countries were not discussed at that time. Without prior consultation with your Government and your company, we would not attempt such sales. It is hard to believe that you, a key Manager of our proud partner Colt Industries, have sent us such groundless advice.

Again, I confirm that our Government is faithfully implementing all the Agreements established between friendly nations including the United States of America.

Sincerely,

Yoo Sam Suk
YOO, SAM SUK
Major General, ROK Army
Director

30. Interarms interoffice memorandum, dated May 15, 1977



INTERARMS

INTER-OFFICE

MEMORANDUM



TO: INTERARMS VIRGINIA (RSW) MA (HS) DATE: MAY 15, 1977
FROM: INTERARMS MONACO (SC)

1. KOREANS: TONGSUNG PARK PLUS THREE OTHERS CAME UP AS SCHEDULED AND SPENT THE WHOLE DAY WITH US IN MANCHESTER ON THE 12TH. WE TALKED ABOUT MANY MATTERS, BUT IT SEEMS TO BOIL DOWN TO THE FACT THAT THEY WOULD LIKE A SINGAPORE-TYPE AGREEMENT AT LEAST IN A CONSULTING SENSE WITH INTERARMS AND WILL BE SENDING ME AN OUTLINE CONTRACT ALREADY THIS WEEK THEY SAID. I, IN TURN, MADE A LOW-KEY PUSH FOR THE KOREAN SURPLUS AS A STARTER FROM OUR SIDE WHILE NOT REFUSING ANY CONSULTANT CONTRACT, PER SE. PARK IS NOW FULLY ESTABLISHED IN LONDON AS HIS OVERSEAS OPERATIONAL BASE BUT FLIES BACK AND FORTH TO KOREA NEARLY EVERY MONTH: HE LEFT ALREADY AGAIN THIS WEEKEND AND PLANS TO RETURN IN EARLY JUNE WHEN HE MAY CALL AGAIN. HIS KOREAN ASSISTANT, JINSUK KIM, LIVES IN ARLINGTON AND WILL BE VISITING YOU IN VIRGINIA PROBABLY EITHER LATER THIS MONTH OR IN EARLY JUNE. HE SAID HE'D MET RSW BEFORE BUT APPARENTLY NEITHER OF YOU WILL RECALL THIS AS HE CALLED RSW "CHARLIE" WINTER. IN ANY CASE HE SPEAKS PERFECT ENGLISH AND WANTS TO SEE ALEXANDRIA + MIDLAND SO GIVE HIM THE USUAL GOOD TOUR AND LUNCH JUST AS WE DID FOR THE WHOLE GROUP IN MANCHESTER. IN THE MEANTIME I'LL PROBABLY HAVE THEIR IDEA OF A DRAFT CONTRACT AND WILL REPLY AS NECESSARY SO YOU'LL BE UP TO DATE HERE. WE'LL KK THIS QUIETLY ALONG.

31. Interarms telex, dated May 16, 1977

SCHC 479250MC
136 1841
25896 ESNAV G

INTERARMS

MAY 16 1977

MAY 16 1977
OUR REF ESNM 207

FOR THE ATTN OF MR. S. CUNNINGHS, PRESIDENT, INTERARMS.

FROM: R. J. CONKLING:

ANY IMPROVEMENTS ON THE FOLLOWING DRAFT ARE WELCOMED.

MR. PARK AS A MATTER OF COURTESEY, SUGGESTS THAT J.S. KIM
HAND DELIVERS THE LETTER TO THE DEFENCE MINISTRY.

THEREFORE IT WOULD BE GREATLY APPRECIATED IF YOU WOULD
FORWARD THE SEALED LETTER TO MR. KIM IN SEOUL BY AIR
EXPRESS AT THE FOLLOWING ADDRESS:

MIRYUNG MOOLSAN COMPANY LTD.,
7TH FLOOR, JEBUN BLDG.,
5, YANG-DONG,
CHUNG-KU,
SEOUL, KOREA.

REGARDS,
R. J. CONKLING.

QUOTE

HIS EXCELLENCY, GENERAL JONG CHUL SEO,
MINISTER OF DEFENCE,
REPUBLIC OF KOREA.

DEAR GENERAL SEO,

I HAVE NOT HAD THE PLEASURE OF MEETING YOU PERSONALLY, BUT
I WRITE TO SAY HOW MUCH WE ADMIRE THE WAY IN WHICH YOU AND
YOUR GOVERNMENT HAVE MODERNISED THE COMBAT EQUIPMENT OF
YOUR FORCES IN THE TWENTY FIVE YEARS SINCE THE END OF
THE KOREAN WAR. UNDER THE INCOMPARABLE INTERNATIONAL
PROBLEMS AND THE CONTINUOUS PRESSURE FROM THE NORTH, WE ALL
KNOW THAT THIS WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE
STRONG LEADERSHIP OF PRESIDENT PARK CHUNG HEE.

INTERARMS IS..... (I SUGGEST YOU FILL IN FULL DETAILS OF
INTERARMS OPERATIONS HERE)

INTERARMS HAS, IN THE PAST, NEGOTIATED THE SALES OF ARMS
SURPLUS MATERIAL FROM EVERY MAJOR COUNTRY EXCEPT RUSSIA AND
CHINA. IN VIEWING YOUR ARMAMENT MODERNIZATION PROGRAM, WE
ARE LED TO BELIEVE THAT SOME OF YOUR OUT-OF-DATE AND/OR
OBSOLETE EQUIPMENT WOULD BE OF GREAT INTEREST TO OUR
FOREIGN GOVERNMENT CUSTOMERS, AND WE WOULD BE MOST INTERESTED
IN THE PURCHASE AND RESALE OF YOUR SURPLUS EQUIPMENT.

I HAVE HAD THE PLEASURE OF MEETING MR. JINSUK KIM, VICE PRESIDENT OF AMEPA TRADING COMPANY AT OUR ESTABLISHMENT IN MANCHESTER, ENGLAND , AND DURING THE COURSE OF CONVERSATION, WE DISCUSSED THE POSSIBLE DISPOSAL OF MILITARY MATERIAL FROM KOREA.

SO THAT YOU MAY BETTER UNDERSTAND THE SCOPE OF OUR OPERATIONS, I WOULD LIKE TO EXTEND TO YOU, OR A MEMBER OF YOUR STAFF A CORDIAL INVITATION TO VISIT OUR FACILITIES IN SINGAPORE, MANCHESTER, ENGLAND AND ALEXANDRIA, VIRGINIA.

IF YOU COULD SEE YOUR WAY TO ACCEPTING THIS INVITATION, IT WOULD GIVE US THE GREATEST PLEASURE TO MEET YOU.

SAMUEL CUMMINGS, PRESIDENT,
INTERARMS.

UNQUOTE

XXXX

CLEAR AND WE WILL USE YOUR SUGGESTED DRAFT WITH SOME SLIGHT MODIFICATIONS INTO MORE OF AN " INTERARMS SYNTAX" . PLEASE NOTE WE CANNOT EXTEND AN INVITATION TO VISIT SINGAPORE WITHOUT ADVANCE COORDINATION AND APPROVAL OF DR GOE THERE WHO IS THE MINISTER OF DEFENSE AS ADVISED OUR SINGAPORE OPERATION IS A "NAME" OPERATION FOR MINDEF SINGAPORE AND NOT A PRIVATE INTERARMS OPERATION AND THEREFORE IS ENTIRELY OFFICIAL. IN OUR VIEW MANCHESTER AND VIRGINIAN REFLECT OUR OPERATIONS PERFECTLY AND WE PREFER OFFICIAL VISITS THERE EXCEPT FOR SPECIAL PROJECTS WHICH MAY LATER RELATE TO SINGAPORE. WE WILL PREPARE YOUR LETTER AND DISPATCH SAME IMMEDIATELY AS REQUESTED WITH OF COURSE A BLIND COPY TO YOU IN LONDON.

UNRELATED WE HAD TODAY YOUR LETTER OF 13 MAY AND RESPONDED AND WE AWAIT YOUR SUGGESTED DRAFT COORDINATION AGREEMENT BETWEEN US AS DISCUSSED INFORMALLY WITH MR CONKLING LAST WEEK IN LONDON.

-- -- ANY FURTHER COMMENTS PLEASE ++

THATS ALL FOR NOW. THANK YOU FOR YOUR IMMEDIATE RESPONSE.

OK AND BIBI

SCMC 479258MC

8

32. Letter from Samuel Cummings, Interarms, to Gen. Jong Chul Seo, Minister of National Defense, dated May 17, 1977



REFERENCE :- E-19/N22063

MAY 17, 1977



HIS EXCELLENCY, GENERAL JONG CHUL SEO
MINISTER OF DEFENSE
REPUBLIC OF KOREA
SEOUL, KOREA

DEAR GENERAL SFC.

ALTHOUGH I HAVE NOT HAD THE PLEASURE OF SEEING YOU PERSONALLY, I TELL YOU THAT ALLOWS ME IN THE PRESENT POSITION TO APPRECIATE YOU FOR THE WAY THAT YOU DO YOUR DUTY. I AM PLEASED WITH THE COURAGE AND DEDICATION OF YOUR WILD FORCES IN THE FIELD. THEY ARE THE PRIDE OF THE ARMY. I AM ESPECIALLY PLEASED WITH THE BRAVE AND BRAVE OF YOUR GUARDIAZAS. I HAVE HAD THE OPPORTUNITY TO APPRECIATE THAT DEDICATION AND COURAGE. I AM PLEASED WITH THE BRAVE AND BRAVE OF YOUR GUARDIAZAS.

RECORDED IN THE OFFICE OF THE CLERK OF THE COURT OF COMMON PLEAS AND CHANCERY IN THE CITY OF PHILADELPHIA, PENNSYLVANIA, ON THE 1ST DAY OF JUNE, 1940, BY THE STATE TAX DEPARTMENT, A COPY OF THE SUBSTANTIALLY IDENTICAL WITH THE COPY PREVIOUSLY FILED IN THE MANNER PROVIDED IN THE FIRST PARAGRAPH OF THIS DOCUMENT.

DEAR MR. CHAMBERS,
I THE PART, NEGOTIATE WITH YOU FOR THE SAME TYPE
OF MATERIAL AS I AM SELLING IN THE FIELD OF KOREA.
YOU AND YOUR TEAM ARE IN VARIOUS NATIONS AND I BELIEVE THAT THE
FEDERAL GOVERNMENT BELIEVE THAT SOME OF YOUR EQUIPMENT IS OBSOLETE
SUFFICIENT COMBINE OF GREAT INTELLIGENCE AND THE FEDERAL
GOVERNMENT EXPERIENCE IN OTHER PLACES OF THE WORLD. MY SPECIAL
SECURITY INTERESTS DO NOT REQUIRE ME TO TALK WITH THEM AS YOU ARE
NOT RE-EQUIPPING WITH THEM. WITH YOUR ASSISTANCE I WOULD BE BEST INTERESTED
IN DISCUSSING A COORDINATED PROGRAM WITH YOU FOR THE PURCHASE
AND RE-SALE OF YOUR OBSOLETE AND SUPPLY REPAIRS AND AMMUNITION
MATERIAL WHICH WE WOULD PROPOSE TO WORK OUT WITH THE FEDERAL
BRITISH AND/OR AMERICAN LICENSING THAT WE CAN USE IT IN ASIA
AND AMERICA AND THEN DISPOSED OF IT IN ASIA OR AMERICA OR AFTER
SUCH RECONDITIONING AND REHABILITATION IF NECESSARY BY CLASS EYES.
SUCH A PROGRAM WOULD ASSURE KOREA MAXIMUM ECONOMIC AND POLITICAL
RETURN FROM THE DISPOSAL OF OLD AND OBSOLETE MATERIAL WHICH OTHERWISE
WOULD HAVE TO BE SCRAPPED AT 10 PERCENT AT ALL 10 YR. IN KOREA.

REFERENCE:- E-19/M23063
INTERARMS

- 2 -

MAY 17, 1977

LAST WEEK WE HAD THE PLEASURE OF A VISIT TO OUR BRITISH DEPOTS IN MANCHESTER, OF MR. JINSUK KIM, VICE PRESIDENT OF AMEPA TRADING COMPANY AND, DURING OUR DISCUSSIONS, WE CONSIDERED THE POSSIBILITY OF THE DISPOSAL OF OIL AND OBSOLETE WEAPON MATERIAL FROM KOREA. MR. KIM'S VISIT HAS PROMPTED THIS LETTER TO YOU AND, SO THAT YOU MIGHT YOURSELF BETTER UNDERSTAND THE SCOPE OF OUR OPERATIONS, I WOULD LIKE TO EXTEND TO YOU, OR A MEMBER OF YOUR STAFF, OUR COORDIAL INVITATION TO VISIT OUR FACILITIES IN CHESTER, ENGLAND, OR ALEXANDRIA, VIRGINIA, U.S.A. IF IT IS CONVENIENT FOR YOU TO ACCEPT OUR INVITATION IN THE NEAR FUTURE, IT WOULD GIVE US THE GREATEST PLEASURE TO WELCOME YOU AND WE COULD CONSIDER TOGETHER SPECIFIC PROGRAMS FOR THE BENEFIT OF OUR COUNTRY AS WE HAVE OUTLINED ABOVE.

WITH EXPRESSIONS OF OUR HIGHEST ESTEEM, I REMAIN, SIR,

YOURS VERY TRULY

INTERARMS

JIN SUK KIM
VICE PRESIDENT

cc: INTERARMS

33. Letter from Maj. Gen. Yoo Sam Suk, Ministry of National Defense, to Samuel Cummings, Interarms, dated May 28, 1977

REPUBLIC OF KOREA
MINISTRY OF NATIONAL DEFENSE
SEOUL, KOREA

OFFICE OF THE DIRECTOR
DEFENSE INDUSTRY BUREAU

/ 28 May 1977

Interarms
International Group
Post Office, Box 88, Monte Carlo, Monaco



Dear Mr. Cummings:

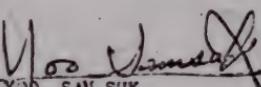
I would like to express my sincere appreciation to you for your interest in the ROK Forces Modernization Program.

However, since our program is still under way, as you are well aware, any surplus or excess equipment are not available for sales at present time.

I assured you that we will inform you when equipment become available for sales.

I wish you the continue success in the future.

Sincerely yours,


YOO, SAM SUK
Major General, ROK Army
Director

34. Letter from S. K. Moon, Tong Il Industries, to Colt Industries, dated September 13, 1977



TONG IL INDUSTRY CO., LTD.

1. FACTORY: 505 SUTACK-NI, KURI-EPU,
YANG JU-GUN,
KYUNGGI-DO, KOREA
TEL 87-7852-3

MAKERS, EXPORTERS, IMPORTERS
6TH FLOOR, MIRYU BLDG. 759.
2KA, CHONGRO 3-ONGRO-KU.
SEOUL, KOREA
TEL 77-1501-5
K.P.O.Box : 1087 SEOUL
CABLE : YEHACO, SEOUL
TELEX : K28549

2. FACTORY: CHANGWON MACHINERY
INDUSTRY ZONE, A-4,
TEL 5-2024-6

The President,
Colt Firearms,
Hartford, Connecticut
06122, U.S.A.
Telex 994421
Colts fire Hfd.

Date Sept. 13, 1977.
No. 77-TCL-129

Subject : Approval of production and export of barrel for M16 Rifle

Dear sir :

Our Company is one of makers, exporters and importers of machinery tools, and also, as one of military supplies, we are participating in defence industry for the purpose of Korea's defence.

On this occasion, we are attempting to produce barrel of M16 Rifle and to export to countries of South-East Asia of friendly nations. Prior to get the approval of Korean government, we would like to know whether you can approve it.

Further more, we would like to know whether we have to get authorization of D.O.D. in your country.

If above nrs 2 & 3 is to be possible to realize, request your information about the methods and procedures to get the approval/authorization of above project.

Thanking you in advance and looking forward to hear from you,
We remain.

Your very truly,

S. K. Moon

S. K. Moon.
The president

SEPT 13/77

C. E. WARNER

35. Letter from H. P. Stone, Colt Industries, to S. K. Moon, Tong Il Industries,
dated September 27, 1977

September 27, 1977

Mr. S. K. Moon,
President
Tong Il Industry Co., Ltd.
K.P.O. Box
1087 Seoul
KOREA

Ref.: No. 77-TOL-129

Dear Mr. Moon:

Thank you for your letter of September 13, 1977, regarding production of the M16A1 rifle barrel.

Colt Firearms is not in a position to issue licenses for the manufacture of its products or its spare parts for resale to third party countries. We only license for the manufacture of rifles in a country that uses them in their own territory.

Furthermore, we do not believe that the U.S. State Department would approve such a license arrangement.

Thank you for your inquiry, and I do hope that you understand our position on this.

Sincerely yours,

H.P. Stone
Vice President
International Operations

1

cc: C.E. Warner, P. Gubbins

36. Telex from H. P. Stone, Colt Industries, to Major General Yoo Sam Suk,
Ministry of National Defense, dated October 19, 1977

WUI

COLTS FIRE HFD

787/2307Z
0112412 1549 10/19

Korea

KUKBANG K2307
MINISTRY OF NAT'L DEF.
REP. OF KOREA
SEOUL, KOREA

OCT 19 1977

OFFICE OF THE DIRECTOR
DEF. INDUSTRY BUREAU

ATT: MAJOR GENERAL YOO, SAM SUK

THE FOLLOWING LETTER IS BEING SENT TO YOU TODAY, BUT I AM SENDING THIS TELEX IN ADVANCE SO THAT PROMPTER ACTION CAN BE TAKEN:

DEAR GENERAL YOO:

COLT HAS RECEIVED NOTIFICATION FROM THE U.S. DEPT. OF STATE THAT IT HAS NO OBJECTION TO THE REP. OF KOREA PRODUCING 300,000 ADDITIONAL M16 RIFLES.

BEFORE COLT PROCEEDS WITH THIS AMENDMENT, IT WOULD APPRECIATE YOUR CONCURRENCE TO AMEND THE PAYMENT METHOD. THIS REQUEST IS PROMPTED BY THE PAYMENT DELAYS THAT HAVE BEEN ENCOUNTERED OVER THE PAST YEAR, RESULTING APPARENTLY FROM DRAWDOWN LIMITATIONS AND ADMINISTRATIVE POLICY AND PROCEDURAL DELAYS. IT IS POSSIBLE UNDER FMS FUNDED PROGRAMS TO HAVE LETTERS OF CREDIT ESTABLISHED. MAY WE HAVE YOUR CONCURRENCE ON THIS METHOD WHEREBY A LETTER OF CREDIT BE ESTABLISHED YEARLY FOR AN AMOUNT COVERING THE ROYALTIES DUE ON THE CURRENT ANNUAL ANTICIPATED RATE OF PRODUCTION, PERMITTING QUARTERLY MINIMUM

PAYMENTS IN ACCORDANCE WITH ART. X, PAR. 1 OF THE LICENSE AGREEMENT AND SUBSEQUENT QUARTERLY PAYMENTS IN ACCORDANCE WITH ART. IX OF THE LICENSE AGREEMENT. SINCE THE \$7 PER RIFLE ROYALTY REMAINS THE SAME AS ESTABLISHED IN 1971, IN SPITE OF INFLATION, WE FEEL THAT THE ABOVE REQUEST IS A REASONABLE AND FAIR REQUEST.

IT WOULD ALSO APPEAR APPROPRIATE AT THE TIME OF THIS AMENDMENT TO TERMINATE THOSE CLAUSES UNDER BOTH THE LICENSE AND TECHNICAL ASSISTANCE AGREEMENTS THAT HAVE BEEN ACCOMPLISHED OR ARE NO LONGER APPLICABLE.

AS SOON AS I RECEIVE YOUR CONCURRENCE AND THOUGHTS ON THESE MATTERS, I WILL PROMPTLY FORWARD A REVISION TO THE CONTRACT.

REGARDS
H.P. STONE
VICE PRESIDENT
INTERNATIONAL OPERATIONS

37. Telex from H. P. Stone, Colt Industries, to Major General Yoo Sam Suk,
Ministry of National Defense, dated November 10, 1977

RCA GA
7872307Z

- COLTS FIRE HFD

NOV 10 1114 486715
NC MOM WE RETRY
OCC MOM WE RETRY
KUKBANG K2307
MINISTRY OF NAT'L DEFENSE
REP. OF KOREA
SEOUL, KOREA

NOV 10 1977
11:14 AM

OFFICE OF THE DIRECTOR
DEF. INDUSTRY BUREAU

ATTN*: MAJ. GEN'L YOO, SAM SUK

TO DATE I HAVE RECEIVED NO RESPONSE TO MY LETTER AND TELEX
BOTH DATED OCTOBER 19, 1977.

WOULD YOU KINDLY LET ME HEAR FROM YOU.

REGARDS
H. P STONE
VICE PRESIDENT - INTERNATIONAL OPERATIONS

COLTS FIRE HFD

KUKBANG K2307

COLTS FIRE HFD

0003.2

38. Telex from Tong Il Industries to Colt Industries, dated November 15, 1977

COLT FIRE HFD

GRIFFIS A ROME

TT

0051 EST.

COLT FIRE HFD

TONGIL K28549

SEOUL NOV/15/77

RE: DISCUSSION OF M16 RIFLE THANK YOU FOR YOUR LETTER OF SEPTEMBER 27. 1977.

WE WANT TO DISCUSS ABOUT M16 RIFLE. PLEASE ADVISE US WHICH IS BETTER WAY FOR YOU TO MEET YOUR REPRESENTATIVES IN U.S.A. OR HERE IN KOREA. IF YOUR MEN ARE IN KOREA AT PRESENT.

♦
EDLT FIRE

TONGIL K28549

VIA ITT

NOV 15 1977

8:00 am

39. Telex from H. P. Stone, Colt Industries, to Tong Il Industries, dated November 15, 1977

WUI

COLTS FIRE HFD

787285492

0037687 0841 11/15

Hoff

NOV 15 1977
8:41 am

TONGIL K28549

IN RESPONSE TO YOUR TELEX NOVEMBER 15, 1977, REGARDING M16 DISCUSSIONS, I REGRET THAT I CANNOT COME TO KOREA AT PRESENT DUE TO OTHER EXISTING COMMITMENTS. I WOULD BE ABLE TO MEET

WITH YOUR REPRESENTATIVES IN THE U.S.A.

WOULD YOU KINDLY ADVISE ME AS TO NAMES OF YOUR REPRESENTATIVES THAT WOULD BE DISCUSSING THIS MATTER WITH ME AND THE TIME WHEN THIS CAN BE DONE.

REGARDS

H.P. STONE

VICE PRESIDENT

INTERNATIONAL OPERATIONS

COLTS FIRE HFD

TONGIL K28549

.....

001.5 MIN

401

40. Interarms interoffice memorandum, dated November 17, 1977

INTERARMS
INTER-OFFICE MEMORANDUM
NOVEMBER 17, 1977

TO: INTERARMS VIRGINIA (RSH) MA (HS) [REDACTED]
FROM: INTERARMS MONACO (SC)
SUBJECT: KOREA: VISIT OF ROBERT CONKLING

1. AS PER OUR PRIOR NEWS, CONKLING ARRIVED TODAY AND WE HAD A NICE SHORT DISCUSSION AT NICE AIRPORT AS HE WAS EN ROUTE FROM RABAT BACK TO LONDON AND WILL BE GOING ON TO SEOUL NEXT WEEK TO SEE TONGSUNG PARK. HE HIMSELF IS TONGSUNG'S CHIEF EXECUTIVE AND WILL BE, HE SAYS, MOVING "PERMANENTLY" TO LONDON THIS YEAR CLOSING DOWN HIS WATERGATE FLAT IN WASHINGTON. HE SAYS TONGSUNG HOPES TO HAVE HIS USC PROBLEMS BASICALLY SETTLED BY ABOUT JANUARY WHEN HE WILL RETURN TO LONDON: HE DIDN'T THINK THESE WOULD BE TOO MUCH TROUBLE TO SORT OUT, HE SAID.

2. CONKLING GAVE ME A LETTER FROM THE GENERAL IN CHARGE OF THE KOREAN DEFENSE INDUSTRY, COPY ENCLOSED, WHICH WAS IN REPLY TO MINE TO THEM LAST MAY. THE ORIGINAL HAD BEEN GIVEN TO TONGSUNG PARK TO GIVE ME BUT HE'S BEEN NOT ABLE TO MOVE AND THEY DIDN'T WANT TO SEND IT FOR "SECURITY" REASONS, IF YOU CAN IMAGINE THAT ONE. IN ANY CASE THERE'S NO REPLY NECESSARY. HE ALSO GAVE ME THEIR PRESENT RANGE OF PRODUCTION, COPY ENCLOSED, AND SAID THEY WERE INTERESTED IN DISCUSSING WITH US THE POSSIBILITY OF INTERARMS BEING THEIR EXCLUSIVE EXPORT SALES OFFICE FOR THIS MATERIAL ON AN OFFICIAL BASIS OPERATING OUT OF MANCHESTER AND COORDINATING THROUGH A KOREAN GOVERNMENT OFFICE IN SEOUL. I SAID WE WOULD CONSIDER THIS WITH THEM WITHOUT MAKING ANY COMMITMENTS. I SAID WE NEEDED TO KNOW:-

- A) THE PRESENT NET FOB KOREAN PORT COSTS FOR EACH OF THE LISTED ITEMS AND THE RELATIVE RATE OF PRODUCTION, THE LATTER EVEN IF INFORMALLY.
 - B) IF WE TOOK THIS ON WE WOULD ONLY CONSIDER IT ON AN EXCLUSIVE BASIS WORLD WIDE WITH ALL PURCHASE REQUESTS REFERRED TO US FOR STAFF-OUT AND LICENSED ORDERS TO SEOUL FROM MANCHESTER AND THAT ALL EX-KOREA PRICES INCLUDE 2% FOR INTERARMS NO MATTER WHAT AND WE'D SET UP SALE PRICE "DATA SHEETS" (EACH A DIFFERENT COLOR) FOR GEOGRAPHICAL AREAS TO BE COMPETITIVE AS FOLLOWS:-
- i) AFRICA: THEIR NET COST TO US + 10%
 - ii) MIDDLE EAST: THEIR NET COST TO US + 15%
 - iii) LATIN AMERICA: THEIR NET COST TO US + 5%
 - iv) EUROPE: THEIR NET COST TO US + 4%
 - v) FAR EAST: THEIR NET COST TO US + 10%

I EXPLAINED IN OUR COLOR PRICE "DATA SHEETS" REFLECTING THE ABOVE, WE WOULD ALSO INCLUDE 2% FOR OURSELVES BUT WE'D WAIVE THIS AND ALL OTHER COMMISSIONS IN A COMPETITIVE POSITION BUT WOULD ALWAYS EXCEPT THE 2% FACTORY COMMISSION IN ANY CASE. HE TOOK NOTES ON ALL THIS AND SAID HE COORDINATE IN SEOUL.

3. CONKLING ASKED ABOUT SINGAPORE AND I BRIEFLY OUTLINED OUR INTERARMS ASIA

CONKLING SAID HE'D COORDINATE ALL THIS IN SEOUL AND TONGSUNG WOULD ALSO WITH PRESIDENT PARK AND PRESIDENT PARK MIGHT WANT ME TO COME OUT THIS WINTER AND MAKE A FORMAL DEAL WITH THEM IF HE CHOSE TO GO AHEAD ON THIS MODUS OPERANDI. I SAID I DIDN'T REALLY WANT TO GO ANYWHERE OUT OF EUROPE AT PRESENT BUT IF IT WAS NECESSARY TO CLOSE AND REALLY TO CLOSE ON THE FOREGOING BASIS I AGREED.

4. I DON'T NECESSARILY EXPECT ANYTHING TO COME OF ANY OF THIS BUT WANTED TO ADVISE YOU BOTH OF THE PRESENT STATUS AND CONKLING HIMSELF WILL BE BACK IN EUROPE FROM SEOUL ABOUT DECEMBER 15TH HE SAYS AND WILL PASS HERE EN ROUTE BACK AND GIVE ME THE LATEST DETAILS WHICH I'LL PASS ALONG. NO ACTION BY ANYONE NECESSARY AT PRESENT. I NOTED (AND HE KNEW) THAT WE CONTINUE MODEST PURCHASES FROM SING SONG METALS AND I SAID THAT EVEN THOUGH THIS WAS PRIVATE EIRM WE EXCEPT ANY ARRANGEMENT WITH THE KOREAN MINDEF TO INCLUDE ALL DEFENSE EXPORTS. HE SAID HE AGREED WITH THIS AND WOULD ALSO COORDINATE THIS MATTER IN SEOUL.

41. Telex from H. P. Stone, Colt Industries, to Tong Il Industries, dated November 21, 1977

WUI
COLTS FIRE HFD

78728549Z
0101459 1321 11/21

NOV 21 1977

TONGIL K28549
78728549

WITH REFERENCE TO MY TELEX TO YOU DATED NOV. 15, 1977,

PLEASE ADVISE ME AS TO THE REPRESENTATIVES HERE IN THE UNITED STATES THAT I SHOULD BE DISCUSSING THE M16 CONTRACT EXTENSION MATTERS WITH.

REGARDS
H.P. STONE
COLT FIREARMS

COLTS FIRE HFD

XAPW K28549

TONGIL K28549

001.2 MIN

42. Telex from Tong Il Industries, to Colt Industries, dated November 22, 1977

VIA ITT

Korea

RCA NOV 22 0209*
COLT FIRE HFD

TONGIL K28549

SEOUL NOV/22/77

RE: DISCUSSION OF M16 RIFLE
 1. WE APPRECIATE YOU VERY MUCH FOR YOUR TELEX OF 16TH AND 22ND NOVEMBER.
 2. WE NEED SOME MORE DAYS TO SEND OUR REPRESENTATIVE TO YOU, IN ORDER TO PRE-COORDINATE IT WITH OUR GOVERNMENT.
 3. UPON COMPLETING COORDINATION, WE WILL NOTIFY YOU ABOUT "WHO AND WHEN" OF OUR SIDE TO DISCUSS WITH YOU.

TONGIL: MR. CHO.

COLT FIRE HFD

TONGIL K28549V0*
COLT FIRE HFD

WU INFOMASTER 1-002065Q326015 11/22/77
 ICS WUMKTN MLTN VA
 ZCZC 15 WUMKTN MLTN VA
 TLX 994421 COLT FIRE HFD
 PT

43. Telex from Mr. Cho, Tong Il Industries, to Colt Industries, dated November 28, 1977

M
RCA NOV 27 2058.
COLT FIRE HFD

TONGIL K28549

SEOUL NOV/28/77

1. OUR PRESIDENT WILL VISIT YOUR COMPANY FROM 12TH TO 16TH DECEMBER 1977 TO DISCUSS M16 CONTRACT EXTENSION.
2. DETAILED INFORMATION WILL BE NOTIFIED YOU LATER ON.
SALES MANAGER MR. CHO.

COLT FIRE HFD

TONGIL K28549M

44. Telex from H. P. Stone, Colt Industries, to Mr. Cho, Tong Il Industries, dated December 13, 1977

W.U.
COLTS FIRE HFD

78728549Z
0005746 1606 (12/13)

RECEIVED
DEC 13 1977
H. P. STONE

TONGIL K28549

ATTN: MR. CHO

REFERENCE YOUR TELEX NOV. 28 ADVISING YOUR PRESIDENT PLANNING

A VISIT HERE DEC. 12-16.
WE HAVE HAD NO FURTHER COMMUNICATION FROM YOU, AND WISH TO ADVISE
YOU THAT WE CLOSE FOR THE CHRISTMAS HOLIDAYS ON DEC. 21ST. AND
REOPEN AFTER THE NEW YEAR HOLIDAY.

REGARDS

H.P. STONE

COLTS FIRE HFD

TONGIL K28549
001.2 MIN

45. Telex from Mr. Cho, Tong Il Industries, to Colt Industries, dated December 14, 1977

RCA DEC 13 1615*

COLT FIRE HFD

MOMM T

RCA DEC 13 1942*

COLT FIRE HFD

TONGIL K28549

SEOUL DFC/14/77

1. THANKS FOR YOUR TLX OF 13TH DEC 1977.
2. MR. MOON,

RECEIVED
DEC 14 1977
H. P. STONE

COLT FIRE HFD

TONGIL K28549

SEOUL DEC/14/77

1. THANKS FOR YOUR TLX OF 13TH DEC 1977.
2. MR. MOON, OUR PRESIDENT STARTED FOR U.S.A ON 13TH DEC VIA JAPAN.
3. HE WILL VISIT YOUR CO. O/A 15TH DEC.

MR. CHO. SALES MANAGER.

COLT FIRE HFD

TONGIL K28549.....A*
COLT FIRE HFD

C. M. DeWitt

46. Letter from Robert J. Conkling, Parkington Corp., Ltd., to Samuel Cummings,
Interarms, dated January 16, 1978

Parkington Corporation Limited

JAN 23 1978

MANCHESTER, ENGLAND

64 ROUTE DE FLORISSANT, 1206 GENEVA, SWITZERLAND

INT 16 January, 1978

Mr. Samuel Cummings
President
Interarms, International Group
Monte Carlo, Monaco

Dear Mr. Cummings;

We have done very extensive research on the feasibility for the proposed Joint Venture. Dealing directly with the appropriate authorities and the several companies that make-up the defense industry of the Republic of Korea, the basic mechanics for operating at this end have been set up.

For your information, a quasi-government company for this particular project is not possible in the business framework of Korea. Thus we are in a position to go ahead with the setting up of a joint venture along the following lines.

SCOPE OF ACTIVITIES

1.) Sale of ROK manufactured items and of some surplus. At this time we feel initially, the largest supply item will be ammunition.

2.) Sale of very old items that could be marketed as antiques. This was discussed in our meeting at the Hotel Dorchester.

3.) Bring together foreign companies for the transfer of technology and local manufacturers for production in the ROK either by joint venture or licensing. This should be aimed at re-export to established overseas markets. It would be important for you to make contact and/or advise us of those firms which might be interested in establishing production facilities in the ROK.

JOINT VENTURE FORMATION

1.) Documentation for a Joint Venture should be between INTERARMS and PARKINGTON/GENEVA. A branch office will be established in Seoul to assist the Manchester office.

2.) A fifty-fifty split for all profits through whatever arrangement is mutually satisfactory, viz; two percent for SC on fob, then two percent for SC on onward plus four percent on onward. Alternatively, two percent each for SC and us on both fob and onward.

JOINT VENTURE FORMATION-continued

The formula should be clearly spelled out but no percentage of Dollar amounts fixed in the general J/V agreement. As you pointed out in Nice, every transaction is different depending on the location of the end-user. I suggest the exact amount of commission should be worked out by mutual agreement on each sale.

3.) Some firms already have short term contracts with agents. Until these arrangements run out, special agreements will have to be worked out if sales are possible. At this time therefore, our interpretation of industry-wide representation means we will be dealing with the majority, but not all of the manufacturers of defense items in the Republic of Korea. We should review the list of items produced there and obtain your opinion as to which products are most marketable.

4.) We assume the term Joint Venture to imply the equal sharing of expenses and investment as well as profit sharing.

We have moved with utmost care in dealing with the Government of the Republic of Korea and the private sector in this most important and delicate industry. I sincerely hope we can now move forward at a brisk pace toward agreement on a mutually profitable business relationship.

Very truly yours,

Robert J. Conkling

CONFIDENTIAL LIST

M79 Launcher	M18A1 Mine-Claymore
3.5' Rocket	M19 Anti Tank Mine
60mm Mortar	M67 Grenade
81mm Mortar	Gun Powder
4.2' Mortar (*)	TAI Field Tele-Kit
105mm Howitzer (*)	TA312 "
155mm Howitzer(*)	SB22 Operator Kit
106mm Recoiless Rifle (*)	KPRC6 Radio
5' Rocket Launcher	ANPR 77 Radio
20mm Gun, HEI-T-SD	
M16 Rifle (*)	PT Boat (70-250ton-40knot)
M1-Cal. 30	Gas Mask
M2-Cal. 30	Helmat
40mm Shell for M79 Launcher	Parachute
M203 (Improved M79)	
60mm Shell	
81mm Shell	
20mm Shell	
7.62mm Shell (4Ball-I-Tracer)	
5,56mm Shell (Ball M193)	
5,56mm Shell (Tracer M193)	
4.2'mm "	
106mm "	
105mm " (HE)	

(*) U. S. Approval required

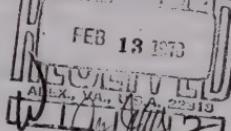
47. Letter from Samuel Cummings, Interarms, to Robert J. Conkling, Establishment Eastern Navigation, dated February 2, 1978

I N T E R A R M S

VMa: called today to note the French would now like to sell ALL their Honest Johns, not just the few offered us last year. Oddly enough he said Korea was suggested as a buyer by the French so I am sending the below to see what Tongsung can, or cannot, do.
Reference:- E-19/N23229

February 2, 1978

Mr. Robert J. Conkling
Establishment Eastern Navigation
44 Green Street
London W1Y 3EJ, England



Dear Mr. Conkling,

Further to our recent discussions regarding possible mutual activities in Korea, and further to my letter of January 23rd from our Manchester office, we have today been asked by one of the major NATO powers if we would be interested in their entire stock of American "HONEST JOHN" surface-to-surface missiles, along with, of course, all the special ancillary, transport and spare parts for this material. As about 100 missiles plus all related equipment are involved, this is an impressive package.

The "HONEST JOHN" is standard with the Korean armed forces so this present NATO stock, if of interest to Korea, would perfectly compliment their present missile units. The "HONEST JOHN" has both a conventional and nuclear capability but, of course, NATO regulations only allow the disposal of the conventional warheads.

I would be grateful if you could pass this interesting information to Korea as soon as possible and I would welcome a clear position if Korea is interested in this modern missile. Such items have never been on the market and we expect a very rapid disposal in the event Korea is not interested. Disposal for Korea is possible at this time, we are assured by NATO, for this lot. The cost has not been yet established but it would be far under present new production replacement cost so an outstanding value in any case.

We will be able to provide full details of the exact material available immediately upon receipt of an official expression of interest which, of course, need not be obligating in any way. I would note that this material is not "on the market" as such; it has been specially and privately offered to us by the NATO power involved and, therefore, if Korea is not interested we will turn elsewhere concerning this unique lot of modern long-range missiles.

Yours very truly;

I N T E R A R M S

John
Samuel Cummings
President

cc: Interarms VMA

POST OFFICE BOX 88, MONTE CARLO, MONACO
CABLE: "INTERARMS" MONTE CARLO TELEPHONE 30-58-60

**48. Letter from Suh Chai Pill, Daewoo Industrial Co., to Ketua Setiausaha,
Kuala Lumpur, dated March 28, 1978**



DAEWOO INDUSTRIAL CO., LTD.

CHUNGJU, 390-1, GOREE, KOREA
CABLE: "DAEWOO-SILIC" KOREA
TELE: DAEWOO 3-395, KOREA, K-76029
TEL: 28-2411, 271-3201, 261-3251

Ketua Setiausaha
Kementerian Pertahanan
Jalan Padang Tembak
Kuala Lumpur

28th March, 1978

(Untuk Perhatian Bahagian Bekalan)

Dear Sir

RE: M203 GRENADE LAUNCHER

We are pleased to inform you that M203 Grenade Launcher are manufactured in the Republic of Korea and can be exported to friendly countries including Malaysia. These items are applicable to usage with M16 rifles.

We, Daewoo, is arranging to bring in quantity one launcher to reach Malaysia before the 15th April to be given to Army for trial and evaluation. However, at the request of Army Staff Division, further quantity between two to five Launchers can also be imported. Sufficient goods of ammunition for trial will be brought in at a later date to be confirmed after getting our Government approval and shipping arrangements.

As regards to the supply position, we are pleased to inform you the following:-

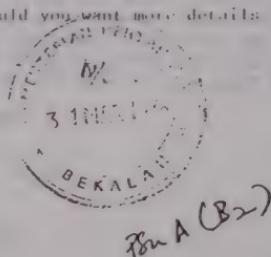
- a) Budgetted Price : FOB US\$320/per unit (Price is negotiable)
- b) Payment : By irrevocable Letter of Credit at sight
- c) Delivery Period : Shipment will be made within 6-8 months after contracting with your Government.
- d) Warranty : Quality control is undertaken by the Korean Government who will issue the necessary warranty Certificate.
- e) We accept your Technical Inspection Team to visit and inspect production and quality control facility in Seoul. However, travelling expenses will be borne by Malaysia.
- f) Operation manual and technical data will be provided.

Please do not hesitate to call on us should you want more details and information on this item.

Yours sincerely

Mr. Suh Chai Pill
Managing Director.

c.c. Army Staff Division (Equipment)



49. Norman Thorpe, "Hello To Arms, South Korean Firms Thrive as Exporters of Military Products," *Asian Wall St. Journal*, January 6, 1978 and "South Korea Disputes Asian Journal Article on Military Exports," *Asian Wall St. Journal*, January 9, 1978

Hello to Arms

South Korean Firms Thrive as Exporters Of Military Products

Sales of Textiles, Other Softwear Boom Since '75; Weapons Outlook Strong

A Dilemma for Washington?

Jan. 6, 1978

By NORMAN THORPE

Special to THE ASIAN WALL STREET JOURNAL
SEOUL—During recent fighting between Ethiopia and Somalia there were press reports that North Korea had sent advisors to work with the Ethiopian armed forces. The reports were never confirmed, but if they were true it was the South Koreans who had the last laugh. The army the North Koreans were advising was clad in uniforms from the South.

And when South Africa began to fear an impending arms embargo by the United Nations last summer, it contracted with a South Korean company to have 1,000 metric tons of equipment valued at over \$10 million airfreighted to Johannesburg within a single month. By the time the Security Council voted the embargo into effect the order had arrived.

In short, after nearly three decades of being on a war footing South Korea is utilizing its knowhow to ship increasing amounts of military equipment overseas and in the past two years has gone well on its way to becoming a major supplier of the world's armories. Already it exports to some 20 or 30 nations.

At this stage, the exports are primarily software such as textiles, communications equipment and other light industrial products. The products include parachutes to Burma, duffel bags to Saudi Arabia, uniform shirts to the United Kingdom, tents to Ethiopia, boots to Kuwait, shirting to South Yemen, gas masks to Bangladesh, and field jackets to Ecuador.

Hardware Exports

But there have been initial exports of hardware such as patrol boats to Indonesia and mortars to Thailand. There also is talk of eventually selling such heavy armaments as antiaircraft guns and even air-to-ground rockets.

While the products form part of the lifeblood of these countries' defense needs, to the South Korean trading firms they represent simply another entry in the nation's booming export figures.

where they export, except that a few countries—mostly Communist countries and a few others like South Yemen and Iraq—usually won't admit their salesmen for military or other marketing. Sometimes they can arrange third-country sales, such as in the case of South Yemen. The traders add that the Korean government imposes no limitations, although in the case of all tenders over \$500,000 in value—both for military goods and all other tenders—approval by the Ministry of Commerce and Industry is required.

The government apparently doesn't consider any of the exports to be of strategic importance to Korea, particularly since most of the exports thus far are software.

These commercial realities already are running up against U.S. political and military policy because the Korean shipments are already largely American technology, although U.S. officials, at least for now, are downplaying the possibility of any real dispute on the matter. The South Korean government for its part is keeping quiet publicly on its posture regarding military exports.

The fluid state of affairs is undoubtedly due in part to the fact that the armament-export momentum has built up in a short period of time although some observers maintain the development could have been foreseen five years ago. There were some Korean exports of military boots during the Vietnam war, but it was only in late 1975 that the Defense Joint Procurement Agency published what was apparently the first catalog of Korean-made military equipment.

The catalog, which includes no hardware, shows several hundred different items, ranging from a wide variety of uniforms and samples of 16 different fabrics, to skis, life rafts, mess gear, communications equipment, bayonets, vehicles and spare parts, and even a "military bicycle," complete with rifle carrier. A notice states that inquiries should be sent to the Korea Trade Promotion Corp.

Now, two years later, a growing number of companies have their own military equipment catalogs, or at least several pages of military equipment in their general catalog. As one company catalog states, the items can be "made under contract to strict specifications laid down by the purchaser."

Samsung Contract

It was also in 1975 that Korean exporters first became really aware of the field's potential when Samsung Co. won a \$100 million military supply contract in Saudi Arabia. Samsung's contract was mostly uniforms and other individual equipment like web belts, packs and insignia. Company officials say there was no ammunition or heavy equipment involved.

As soon as word of the large contract reached Korea other companies took notice. As one trader recalls, when Samsung negotiated the contract "there was almost no (Korean) competition because nobody had any interest in that line. Even though Korean companies were willing to do this kind of business they didn't have contracts. But ever since Samsung made such a big contract, everybody else has been eager to have a chance and promote this line."

The Seoul government itself may have unwittingly helped to spur military as well as other exports when in May 1975 it established the General Trading Company designation. General Trading Companies, or GTC's receive special low-interest loan privileges for export manufacturing and other financial advantages. They also have less restrictions on

A Hello to Arms: Military Soaring for South Korea

Continued From First Page

their business overseas, and the government helps alert them to international tenders for supply of military equipment as well as wide range of non-military contracts.

Any company given or seeking the privileged GTC designation is required to expand its product lines and diversify its markets according to a particular formula. Most of the new GTC's were formerly primarily textile companies, and development of a line of military products initially based on textiles appeared to be one of the easiest ways to reach some new markets and expand sales of related products, especially after Samsung's Saudi Arabian contract pointed the way.

III. MILITARY EXPORTS by South Korean Firms

In the past two years more than a dozen South Korean companies have begun dealing in military exports. Among them are many of Korea's largest trading firms, including Ssangyong Corp., Sunkyong Ltd., ICC Corp., Daewoo Industrial Co., Hanil Synthetic Fiber Industrial Co. and Samwha Co.

Representatives of most of the companies are hesitant about discussing their military sales, but most confirmed that although there have been no more \$100 million contracts, each company did at least several million dollars of business in 1977. Some did considerably more. Officials of even one smaller trading company who asked that it not be identified estimates that the firm's military export sales in 1977 were valued at \$35 million.

The number of firms entering the field is still growing. For example, Hyundai Corp. established a military export department last November.

Hush-Hush Exports

Trade officials say there are no overall statistics for military exports because most fall into textile, light industrial, and electrical products categories. Informed estimates suggest that total software volume in 1977 was in the \$100 million-\$200 million range and that this was a significant increase from 1976.

At least two companies are already exporting technically more sophisticated products on a very hush-hush basis.

Korea Tacoma Marine Industries Ltd., formerly a joint venture with Tacoma Boat-building Co. of the U.S., has exported several naval patrol boats to the Indonesian government. A company official declined to discuss the sales, saying that even the number, price and specifications are secret. The firm also has been trying to market the patrol craft to other countries but hasn't gotten any additional contracts yet.

Additionally, Poongsan Metal Mfg. Co. is exporting several sizes of ammunition to several countries. Officials declined to discuss the sales but said only small-arms ammunition is going abroad. Other sources say the company has been cleared to sell ammunition as large as 81mm, presumably for mortars, but that it may not have made any sales of that size yet.

Complement of Industries

South Korea has almost a complete complement of industries for producing military hardware thanks to technical assistance from U.S. defense contractors provided in cooperation with the U.S. Defense Department.

According to Korean military sources, the domestic defense industries are producing smaller hardware like mortars, M16s, grenade launchers and submachineguns as well as heavier armaments including 105mm field guns, 99mm coastal defense guns, 20mm and 35mm antiaircraft guns, shells up to 150mm, mines, bombs, and air-to-ground rockets. Other sources report that a few years ago Seoul was considering manufacturing its own fighter aircraft, but that it has given up the idea. However, it is presently considering development of a Korean tank.

While there isn't any evidence that the heavier products have been exported, there is no doubt about their marketability abroad. Most sources agree that the industry is still producing for domestic demand, but they say that when this is eventually filled there will be

pressure for Korea to find new markets in order to continue production rather than close down or convert plants and lose the capability to fill its own future arms needs. As one American here observes, "When they have exhausted their own market for 155mm howitzers they will want to sell them to a third-country—and that will put us in a very difficult position."

Officials of the South Korean Defense Ministry's Defense Industry Bureau declined to be interviewed about Korea's policy regarding military exports.

U.S. officials, however, said the U.S. strictly controls the sale of all military hardware produced with American technical assistance, which means almost all the arms produced in Korea. This procedure on military exports applies to all countries with industries founded on U.S. technology.

"They haven't developed anything in Korea without a U.S. license or a U.S. component that would let them sell it without U.S. approval," one American official said. He said, however, that approval wasn't needed for Poongsan's ammunition exports.

He conceded that in the case of the patrol boats sold to Indonesia, "the sale was made without our concurrence." He said the Korean manufacturers made some modifications that they maintained relieved them of the necessity to request approval. But as viewed by the U.S. there was "some question whether it was developed on their own or had part of a U.S. licence or drawing in it."

In any case, Washington didn't block the sale.

U.S. officials said that in another instance American approval was obtained, involving exports to Thailand last year of 170 81mm mortars and an unspecified quantity of 60mm and 81mm ammunition. But a 1976 request to export two types of bayonets to West Germany, the Philippines, Thailand, and Kuwait wasn't approved, they said. Information about any additional export approval requests pending wasn't available.

At this stage, there are no indications that either the Korean or U.S. governments have clearly defined policies on just how much or at what pace this change will be allowed to proceed even though four or five years ago it could have been foreseen that there would eventually be a merging of sorts between two major thrusts in Korean industry — domestic procurement by one of the world's largest armies and strongly promoted exports of nonmilitary products overseas.

Because of the need for U.S. approval, Korean military shipments, especially when they get into hardware, could become an adjunct of American defense and political policy with clearance given for "friendly" countries and permission denied for those nations deemed harmful to American interests. But despite the potential for conflict of political and commercial interests, U.S. officials here maintain that they aren't too worried about the possibility of Korea becoming a completely independent arms supplier and say they don't think traders would export without approval from Washington. "Experience with other countries would indicate that doesn't really happen. Some countries have tried it and have been caught and have paid the penalty," says one U.S. official. The penalty, he added, is that no more approvals are given and the country is "severely chastised for it." He said that "in general those that have done it have only done it once and haven't done it again."

South Korea Disputes Asian Journal Article On Military Exports

January 9, 1978

Special to THE ASIAN WALL STREET JOURNAL

SEOUL — The South Korean government is strongly disputing several points raised in Friday's front page Asian Wall Street Journal article about exports of military products by South Korean trading and manufacturing firms.

Choi Jae-ho, spokesman for the Korean Overseas Information Service, termed the article "vastly misleading."

He said South Korea has never exported to South Africa "even a single cent worth of military equipment before or after the United Nations Security Council voted an arms embargo to that nation. It has been the consistent position of the Korean government to support and adhere to the spirit of the Council's resolution," he added.

The Journal's article said that when South Africa began to fear the impending UN arms embargo last summer, it contracted with a South Korean company to have 1,000 metric tons of equipment valued at over \$10 million airfreighted to Johannesburg before the embargo was voted into effect. (Trading sources familiar with the shipment say it included uniforms, hats, canteen sets, waistbelts, boots, mess kits, and packs. The Journal article never said the shipment violated the terms of the arms embargo).

Mr. Choi also said the Journal was wrong in claiming that mortars had been exported to Thailand. South Korea "has never engaged in sales of hardware armaments abroad," he said.

American Embassy officials in Seoul told the Journal before the article was published that South Korea had sought and obtained U.S. approval for the export of one hundred and seventy 81-millimeter mortars and an unspecified quantity of 60-mm and 81-mm ammunition to Thailand. A U.S. official who was queried after Mr. Choi's complaint was received, however, said the approval was only for mortar shells and not for mortars.

Mr. Choi said a "Korean firm has sold four commercial vessels to Indonesia. But these boats had no military fixtures when delivered," he added. The Journal article said several naval patrol boats were exported to Indonesia by Korea Tacoma Marine Industries Ltd., but didn't assert that the boats had military fixtures when delivered.

Prior to publication of the Journal's article, a request was made for an interview with officials of the South Korean Defense Ministry's Defense Industry Bureau. That request was denied.

50. U.S. Troop Withdrawal from the Republic of Korea: A Report to the Senate Committee on Foreign Relations, January 9, 1978, pp. 43-55

V. U.S. MILITARY AND ECONOMIC ASSISTANCE TO SOUTH KOREA

SOUTH KOREAN REQUIREMENTS

South Korea's military deficiency, relative to North Korea, has been tolerable because of the deterrence provided by U.S. troops on its soil. Now South Korea is faced with the need to make rapid military improvements while maintaining economic growth. The U.S. I Corps Commander believes the ROK needs: greater quantities of anti-armor weapons, tanks, artillery, and hardened communications, command and control facilities.

One senior U.S. observer in Korea said the probability of fulfilling these requirements by 1981 is 50 percent. Other improvements needed include better forward defense positions, early minefield emplacement, improved road nets, improved logistics capability, better intelligence capability, better air/land battle coordination and enhanced battlefield flexibility in the ROK general staff.

Taking these requirements into account, Secretary of Defense Harold Brown, during the July 25-26 Security Council Meeting agreed:

To transfer at no cost to the Republic of Korea certain equipment now in the inventory of U.S. forces in Korea;

To provide supplementary foreign military sales credits to help the Republic of Korea improve its defense force capabilities;

To continue support for general Korean force improvement.

Secretary Brown further stated that the U.S. Government will "make available appropriate weapons on a priority basis" to enable the Republic of Korea to deter North Korean aggression and make special efforts to support the ROK's defense industry projects. The Secretary emphasized that these efforts would be made "within the context of the U.S. Government's arms transfer policy." He also said the U.S. will continue and expand joint military exercises with ROK forces to maintain the readiness of joint forces to resist renewed aggression against the Republic of Korea.

These force improvements will be costly. They include the Force Improvement Plan (FIP), the 8th Army transfer or compensation package, and possibly a transfer of War Reserve Stocks. Current estimates from fiscal year 1977 through fiscal year 1981 are:

[In billions of dollars]

	Total	FX costs (estimate)	Possible U.S. contribution
Force improvement plan (FIP).....	3.5		1.4
8th Army turnover package.....	.8		.8
ROK-financed compensation.....	.9		
War reserve stocks.....	(?)		(?)
Total.....	5.2+		2.2+

¹ (FMS)—Includes \$550,000,000 authorized in fiscal year 1977 and 1978.

² Grant.

³ Estimate.

⁴ Unknown.

A U.S. interagency working group calculated that more than \$8 billion in foreign exchange could be required to satisfy South Korea's military needs until 1985.

The FIP foreign exchange costs are currently estimated at about \$3.5 billion. The United States FMS credit contribution to the FIP would be \$1.4 billion in fiscal years 1977-81. The U.S. fiscal year 1978 compensatory aid package of 8th Army equipment is valued at \$800 million. This, however, accounts for only about half the value of the equipment currently with the 8th Army. The additional \$900 million will either not be replaced, or will be replaced by the ROK. Therefore, the United States will be asked to provide more than \$1.9 billion in additional military aid in fiscal years 1978-81. Military aid for fiscal year 1978 would be \$1.075 billion or almost equal to the aid provided over the previous 5 years:

U.S. MILITARY ASSISTANCE TO SOUTH KOREA

[In millions of dollars; fiscal years]

Item	1971	1972	1973	1974	1975	1976	1977 ¹	1978	1979	1980	1981
Grants.....	541.2	515.2	338.8	100.6	82.6	59.4	5.5	800	0	0	0
Loans.....	15.0	17.0	24.2	56.7	59.0	126.0	286.5	275	275	275	275
Total.....	556.2	532.2	363.0	157.3	141.6	185.4	292.0	1,075	275	275	275

¹ Includes transition quarter.

THE 1971-75 MODERNIZATION PLAN (MOD)

In 1971 the United States and South Korea agreed to a 5-year, \$1.5 billion Force Modernization Plan. The MOD plan helped to compensate for the withdrawal of the U.S. 7th Division. Almost all of that equipment has been delivered (see appendix VI) and is included in the military balance calculations cited earlier.

The MOD plan was delayed 2 years and the final U.S. contribution came only in 1977. The payment schedule, as provided to the staff by the ROK, is:

MOD PLAN

Terms	1971-75	1976-77	Total
Grant.....			
FMS.....	918 116	70 412	988 528
Total.....	1,034	482	1,516
Progress (percent).....	69	31	100

The South Koreans were not satisfied with the terms of the MOD plan, believing they were promised the entire \$1.5 billion in grant aid and then overcharged for the equipment purchased.

THE FORCE IMPROVEMENT PLAN

The United States has indicated general support for a new ROK 5-year (1976-80) Force Improvement Plan (FIP). The plan continues to evolve and cost estimates vary from \$4.5 to \$6.2 billion. The most recent version of the plan available to the Committee indicates an

estimated 5-year cost of \$5.5 billion and foreign exchange costs of \$3.5 billion:

FIP (1976-80)

Category	Total cost (millions)
Army:	
Air defense equipment	
Armor/antiaarmor	
Air mobility	
Small arms/equipment improvement (Army)	
Artillery	
Communications (Army)	
Surveillance equipment	
Reserve projects (Army)	
Navy:	
Vessels	
Missiles and munitions	
ASW aircraft	
Communications (Navy)	
Base improvements	
Equipment improvement (Navy)	
Reserve projects (Navy)	
Air Force:	[Deleted]
Aircraft	
Early warning radar	
Other radar	
War reserve material and electronics	
Communications and electronics	
Air Force base/tactical construction	
Other Air Force	
Reserve projects	
General:	
Equipment replacement, etc.	
Total	

The United States has already authorized \$550 million in FMS credits to be used for the plan and an additional \$800-900 million will be requested in fiscal years 1979-81. However, long delays in implementation raise questions about the ability of South Korea to meet its 1980 goal.

THE COMPENSATORY AID PACKAGE

To compensate for the military force imbalance that would exist upon U.S. withdrawal, the Administration has proposed legislation authorizing the President to turn over to the ROK equipment currently being used by the 2d Division. The equipment would be transferred on a phased basis as U.S. troops withdraw. According to the Executive Branch, the estimated transfer value of the compensatory package is \$800 million (1981 dollars), calculated by projecting the replacement cost and subtracting depreciation. The pending legislation, however, does not mention a specific dollar value, and would allow the President to substitute equipment for equipment currently in the 2d Division inventory.¹

¹ Under this provision, the Executive Branch plans the following substitutions:

NOW IN 8TH ARMY

[Deleted] M-60 tanks
 [Deleted] air transportable 105" howitzers
 2d generation conventional ammo.
 Sophisticated communications gear

SUBSTITUTE EQUIPMENT FOR ROK

[Deleted] M-48A5 tanks
 [Deleted] howitzers
 1st generation ammo.
 Less sophisticated gear

The equipment proposed for transfer is listed below. It is less than the original ROK request. For example, their request for M-60 tanks, two Lance Battalions and Stinger SAM's was rejected. In the case of the M-60 tanks, M-48A5s were substituted in greater number.

Item	Quantity
AH-1G COBRA	
CH-47C helicopter	
UH-1H helicopter	
Improved Hawk battalion equipment	
Tow companies equipment	
Medium tank, M48A5	
Tank recovery vehicle, M-88	
Engineer construction battalion (Heavy) equipment	
Armored vehicle launched bridge (AVLB)/launcher	
Light recovery vehicle, M-578	
Armored personnel carriers, tracked, M-113	
Mortar carrier, 81mm, self-propelled	
Mortar carrier, 107mm, self-propelled	
Cargo carrier, M-548	
Carrier command post, M-577	
Tactical support vehicles	
Howitzer, medium towed, 155-mm	
Howitzer, heavy, towed, 8-in	
Howitzer, heavy, self-propelled, 8-In	
Vulcan guns	
Air traffic control battalion equipment	
Ground reconnaissance and surveillance radars	
Radio equipment	
Target acquisition battery equipment	
Light tactical raft set	
Watercraft	
Division ammunition	
Other articles and support equipment	

[Deleted]

This equipment would provide South Korea with additional mobility (helicopters, APCs and self-propelled mortar carriers); fire power new M-48A5 tanks and conversion of existing older M-48s, TOW launchers, Cobra's, howitzers); and antiaircraft weapons I-Hawk Battalions, Vulcan Guns). Thus, the transfer package will allow the ROK Army to assume a greater share of its own defense. It will not, however, provide South Korea with sufficient offensive assets to successfully attack North Korea. The chart below compares the weapons to be acquired by 1982 with the current military imbalance on the peninsula :

Equipment to be added to the ROK inventory by 1982			
FIP (DIA estimate)	2d division comparable package	1982 total additions ¹	Current gap faced by South Korea
(1)	(2)	(3)	(4)
Tanks			
APC's			
Artillery/MRL's			
Jet combat aircraft			
AA guns			
SAM launchers			
Naval combatants			

[Deleted.]

¹ Does not consider sale of F-16's.

Note. Col. 1 divided by col. 2 equals col. 3.

[Deleted.] Even if North Korea acquires only enough equipment to modernize its current inventory, they will still have a numerical advantage over South Korea in all key categories except APCs and SAM launchers by 1982. U.S. analysts, however, do not expect North Korean armament to level off. Rather, they anticipate continued build-up in all major categories except fighter aircraft and antiaircraft guns.

This analysis considers only the quantitative aspects of the 1982 balance. Under the compensation package, South Korea would receive some moderately sophisticated equipment (such as the M-48A5 tank, more Tow's, and Improved Hawk's) but nothing that would lead to a qualitative imbalance with the current North Korean inventory. Considering the numerical superiority of the North, there is no justification for the North to begin an arms race because of the compensatory package.

The State Department is currently reviewing a request for 60 F-16 aircraft worth \$1.2 billion. This proposed sales agreement (see Chapter VI) would introduce new sophisticated weapons into the area for the first time and might prompt North Korean requests for equivalent Soviet aircraft. As such, it would probably be inconsistent with the President's arms transfer policy. The arms control implications of this sale of military equipment must be evaluated in light of the military balance on the peninsula.

The Executive Branch has proposed providing the transfer package on a grant basis because the equipment is old, Korea has substantial long-term debts, and it might be easier to secure Congressional passage because no appropriations are required. Yet South Korea's current economic status may not warrant a grant transfer. The traditional grant military assistance program was ended in 1976, because of Korea's economic progress. Although Korea does have foreign exchange reserves of about \$3.7 billion, a cash payment of \$800 million would be difficult to absorb. But Korean economic planners project continued improvement in their already healthy debt-service ratio, so additional loans to pay for the compensatory package might not be unrealistic. Further, eventually new equipment must be purchased by the U.S. for a reconstituted 2d Division.

WAR RESERVE STOCKPILES

The strategy of forward defense requires intense firepower in the early days of fighting and thus an abundant supply of ammunition. Including fiscal year 1978 Congressional authorization, U.S./ROK forces have about [deleted] days of ammunition on hand. The Defense Department's goal is a [deleted] day supply by 1980, and eventually a [deleted] day supply (including reserves in Japan). The [deleted] day goal appears to be unrealistically high given the fact that South Korea can probably be resupplied by sea in less than [deleted] days.

There are now three separate categories of War Reserve ammunition: ROK owned, U.S. owned earmarked for U.S. forces, and U.S. owned earmarked for ROK use. But, if war breaks out, the ammunition would be used interchangeably.

Policy makers face three questions regarding War Reserve Stocks. First, who should pay for the additional stocks needed to reach the desired supply level? Second, what is to be the future of the U.S.-owned but ROK-earmarked ammunition called WRSA (War Reserve Stocks, Allies)? Third, overage artillery stocks need checking, testing by random firing to determine whether these shells will detonate when fired and a corrective program. None of these issues have been adequately addressed by the Executive Branch.

The cost for increasing ammunition stockages to the desired [deleted]-day level is more than [deleted] billion. The Executive Branch might consider having the Koreans fund a larger portion of these costs directly in the future.

The future of WRSA stocks presents a more difficult question. U.S.-owned ammunition is sent to Korea in large quantities under limitations contained in Section 514 of the Foreign Assistance Act. Although estimates vary greatly, one source states that the value of WRSA stocks in Korea total \$692 million. In fiscal year 1978 the Congress authorized an additional \$270 million after being told the transfer represented only a "bookkeeping" charge from one U.S. account to another and that Congressional appropriations would be required prior to a final concessional transfer to Korea. As a result of this authorization, additional ammunition will be prepositioned in Korea. In reality, however, there is little difference between U.S.-owned WRSA and Korean-owned stockpiles. U.S. military personnel controlling the stockpiles north of Seoul told the staff they would provide the ROKs with WRSA ammunition in time of war regardless of its legal status. The U.S. Commanding General did not disagree with these intentions. Further, Defense Department lawyers have ruled that Sections 21, 22 and 36 of the Arms Export Control Act give the President authority to "sell" WRSA stocks to Korea immediately on an emergency delayed-payment basis in time of war. A grant turnover package would then immediately be sent to Congress, as was the case with Israel in 1973. More significantly, once the WRSA ammunition is in Korea, it is politically impossible for the U.S. to remove it. The WRSA operation then represents a type of short-term back-door financing which in the longer run must be settled, probably by sale to Korea.

The third issue, overage ammunition was discussed by senior U.S. commanders with Senator Glenn. Corrective measures will require U.S. technical assistance and enhanced ordinance capabilities by South Korean industry.

PUBLIC LAW 480 FOOD AID AND THE DEFENSE BUDGET

Under the Kennedy Agreement of October 1971, the U.S. agreed to ship Public Law 480 Title I food commodities to Korea as quid pro quo for reduced textile imports into the United States. It was anticipated that the commitment would terminate in 1977. The total amount of Public Law 480 commodities however, has not been shipped. The 1971 Agreement called for \$275 million in commodities and reduced local currency payments plus the "normal" Public Law 480 assistance for 5 years. Taken together, the aid package was worth \$776 million on very concessional terms—low interest, ten-year grace period, 40 years

to repay. Despite the fact that top ROK officials expect the agreement to end in 1978, the State Department calculates that the United States still owes Korea \$100 million worth of commodities. The Korean Minister of Economic Planning, Nam Tok-u, said that continuation of Public Law 480 aid was important at this time. The local currency profits of the commodity sales are Korean Government revenue which in turn are used to offset increasing domestic defense costs. He said without the Public Law 480 local currency revenues, the ROK would have to curtail economic development or increase taxes because defense costs could not be reduced.

However, the economic case for continued Public Law 480 aid outside of the Kennedy Agreements is weak. South Korea currently has a \$500 million trade surplus with the United States and is virtually self-sufficient in rice. Its per capita GNP is high for countries receiving food aid. The justification for a high concessional element in the Public Law 480 aid is certainly not as persuasive as in 1971.

OTHER ECONOMIC ASSISTANCE TO SOUTH KOREA

Because of economic progress, the United States no longer has a bilateral development assistance program for South Korea. Indirect assistance continues through Export-Import Bank loans, OPIC insurance and guarantees, housing insurance guarantees and short-term commodity corporation credits. In addition, U.S. contributions to the International Financial Institutions indirectly aid Korea through multilateral development and balance of payments financing loans. The chart below summarizes these loans:

	1970	1971	1972	1973	1974	1975	1976
Indirect U.S. assistance:							
EXIM.....	117.7	217.1	20.7	155.8	262.8	502.5	215.2
OPIC.....	NA	122.9	8.6	22.9	11.2	20.5	74.1
HIG.....				10.0	20.0	35.0	25.0
CCC.....	30.0	2.2	65.0	109.2	50.0	125.0	220.0
Multilateral assistance:							
IBRD.....	40.0	84.5	33.0	183.0	92.0	297.5	325.0
IDA.....	15.0	7.0	15.0	30.5			
IFC.....		7			7	35.4	53.1
AMB.....	17.1	53.3	51.3	75.2	60.4	77.5	135.0
IME.....						148.4	220.3

This assistance has helped the South Korean economy to continue its growth pattern throughout the 1974-75 worldwide recession.

VI. SOUTH KOREA'S DOMESTIC DEFENSE INDUSTRY

OVERVIEW

The most common reason given for the withdrawal of U.S. ground forces is South Korea's economic and industrial capacity. Now that withdrawal has been proposed, South Korea must switch a portion of its general industrial capacity into defense industries. This will take time because Korea's defense industries are still in early stages of development and have incurred several problems. Pressures for quick progress are great, however, since North Korea's defense industry is well developed and continued arms imports by South Korea are a drain on its economy. But, it is unclear how quickly the South will be able to produce quality weapons on a large scale.

The ROK defense industry is growing with the help of foreign investment. Light weapons and some artillery are being produced. But South Korea is a long way from self-sufficiency in medium or heavy equipment according to a briefing given Senator Glenn by U.S. military personnel. The following chart shows current and projected capacities.

[Deleted]

Two basic deficiencies exist in the ROK defense industry: insufficient quality control procedures; and weak management. The first deficiency arises from earlier ROK success in using U.S. technical data packages and reverse engineering to build small arms and communications equipment. Because of these achievements, they underestimated the technical skills necessary in industrial processes. The critically important machine industry still lacks sufficient skilled technicians. A U.S. Military Assistance Advisory Group (MAAG) study notes that "even the failures experienced in prototyping field and air defense artillery systems have not fully convinced them of the necessity of paying the price to acquire the 'how' through technical assistance programs from U.S. Government agencies or commercial firms." Production in accordance with specifications, inspections and testing of equipment are inadequate given the lack of quality control procedures. The second deficiency, poor management, reflects rigid, hierarchical management structures that result in skilled workers failing to surface production problems for resolution, weak coordination and inadequate manufacturing technology. Design, planning, manufacturing, tool industries, and personnel problems are all affected by weak management processes.

The ROK can become self-reliant in most modern armaments if it overcomes these two deficiencies. The most difficult task facing U.S. MAAG personnel is to make the Koreans aware of the need to spend money to acquire technical knowledge, not just hardware. It will be easier to help develop managerial systems and skills. But, unless both

these tasks are accomplished, the goal of self-reliance will be time consuming, prohibitive in costs, and ultimately a failure.

[Deleted.]

The rapidity of the defense industry's growth has created other problems. Since the early 1970's, South Korea's indigenous production has increased rapidly. There are presently [deleted] designated defense industries and [deleted] arsenals which produce or assemble [deleted] U.S. originated items of equipment and a variety of local equipment under the supervision of the Defense Industry Bureau of the Ministry of Defense.

But, the pressure for hasty production ultimately results in longer delays and greater costs. For example, some manufacture and design problems [deleted] resulted from undue haste according to U.S. Government officials. [Deleted.] In many cases, the end item manufactured fails to meet specifications. A major objective of MAAG personnel should be to persuade the ROK to slow production lines while instituting higher standards of quality control.

Another problem is planning and coordination. The Agency for Defense Development (ADD), the ROK research and development agency, does not have a clearly defined role vis-a-vis defense industries. As a result, technology transfers and information flows are greatly hampered. Further, the speed of defense industrial production has exceeded the capability of the ADD to monitor quality control and provide technical assistance. A directive akin to DOD Regulation 4155.1, defining responsibilities and relationships between agencies for quality control measures, is desirable and should be urged by MAAG personnel.

Yet another problem is the tendency of ROK defense industries to attempt to produce component parts in-house rather than rely on subcontractors. This practice often results in higher costs and lower quality. Further, this system exacerbates difficulties in anticipating the need for repair parts and support equipment.

SPECIFIC DEFENSE INDUSTRIES

Successful production lines are operational for AN/PRC 77 back pack field radio and AN/VRC-12 vehicle mounted command radio, M-16 rifles, small mortars, SB-22 switchboards and small arms ammunition. In effect, South Korean assembly line techniques for basic technology are impressive and the facilities visited by Senator Glenn confirm this fact. A more detailed review of South Korean defense production capabilities in specific product lines is presented below.

Artillery

In 1973 and 1974, prototypes for both the 105-mm and 155-mm howitzers were manufactured. The ADD purchased "as is" technical data packages without updating the information. In addition, drawing conversion to Korean standards was done without U.S. technical assistance.

During 1974-75, increasing numbers of defects became apparent in the prototype artillery weapons. These defects arose from manufacturing, material, and quality control problems. Then on June 2, 1975, the Ministry of Defense officially requested U.S. technical assistance

through the MAAG. In response a technical survey team from Rock Island (Illinois) and Watervliet (New York) Arsenals arrived in January, 1976, to evaluate the program. Because their assessment revealed a need for specific technical expertise, a technical assistance team from Watervliet Arsenal arrived in December, 1976, to provide advisory expertise in breach and tube production.

[Deleted.]

Tanks

Extensive discussions regarding upgrading of ROK armor assets were held between the ROK Joint Chiefs of Staff and the U.S. MAAG mission in 1976. Various options were considered. The ROK desire for acquisition of the M60A-1 tank could not be met [deleted].

The bulk of conversion material and technical assistance are to be purchased from the U.S., but Korea will produce up to 30 percent of the conversion components. [Deleted.]

Fighter aircraft

In 1974 Korea discussed co-assembly of fighter aircraft with three American companies. [Deleted.]

The U.S. Government continues to study the ROK request for F-16 aircraft. If a letter of offer is authorized, careful attention should be given to (1) its arms control implications, (2) how it will affect procurement by U.S. forces, and (3) how possible delivery lags might affect ROK defense. The F-16 has a combination of speed, maneuverability, combat radius, and avionics that make it a more highly sophisticated weapon than anything in the North or South Korean inventory. In addition, the U.S. Government continues to have reservations about any proposals for assembly of sophisticated fighter aircraft.

Air defense missiles

Since 1972, the MAAG has been working with the ROK to develop depot-level maintenance capabilities for the HAWK and Nike-Hercules missile system. Such a facility, located in South Korea, could save several million dollars over the life-cycle of these missiles given lower labor costs, reduced transportation costs, and utilization of local repair parts. In late 1974, the ROK Government authorized a commercial maintenance facility to be operated under contract by Gold Star Precision Industries, Limited. During 1975, Korean personnel toured U.S. facilities and training programs were started for Gold Star technicians. In 1976, U.S. military personnel and Raytheon Company personnel started to provide technical assistance to the South Koreans. Obviously, continuing technical and managerial assistance to the air defense missile facility will be necessary in the near term.

Infantry weapons

The ROK currently manufactures all the M16 rifles it needs under an agreement with Colt, Imco and the U.S. Government. ROK industries also produce adequate stocks of 60-mm, 81-mm, and 4.1-inch mortars. [Deleted.]

Tactical mobility improvement program

The South Korean tactical truck programs reflect improvements in Korean capabilities during the last five years. The goal is to lessen dependence on other countries while increasing Korean truck production

capabilities. During 1976, KIA Industries, after acquiring Asia Motors Corporation, was appointed defense contractor for all military wheeled vehicles produced in Korea. It is upgrading its $\frac{1}{4}$ -ton class of trucks (jeeps) by retrofitting these models with a 2-liter KIA produced, 4-cylinder engine. Also under development is a $\frac{1}{4}$ -ton truck of KIA design [deleted]. A 4.5-ton KIA commercial truck is being modified to military specifications. Both American and Japanese produced $2\frac{1}{2}$ -ton trucks are being retrofitted with a Korean produced German diesel engine. This first Korean design and retrofit program has been successful. Plans also call for the design and production of a $2\frac{1}{2}$ -ton truck by 1980. Korea is negotiating with American Motors General Products for the final assembly in Korea of the M809 series 5-ton truck using the Korean produced diesel.

Helicopters

Negotiations were underway in 1976 with Bell and Hughes Helicopter companies for co-assembly of light observation helicopters. Bell Helicopter Company proposed a model 206B helicopter and Hughes Helicopters proposed a variation of the 500MC.

The Hughes proposal for the 500MC was judged superior by the ROK to the Bell 206B. In addition, 25 helicopters were to be equipped with TOW missile launch capability which was not available on the Bell. Hughes also offered to finance the project [deleted]. Bell offered no financing. As a result of these factors, the contract was awarded to Hughes. The contract provides for [deleted] helicopters with delivery to be completed by 1978. Final assembly will be done in Korea except for the [deleted] TOW missile launch models. Korean Air Lines, partner in the project, is to build a new facility at Kimpo International Airport, besides acting as contracting agent for the ROK Government.

In late September 1976 the first four aircraft were delivered. Training of pilots and maintenance men began by January, 1977, at the same time the buildings at Kimpo were finished and phase I tooling was in place. Meanwhile, the ROK Army had begun planning for the operational employment, training, and logistical support [deleted].

Ammunition production

The ROK has steadily increased the type, quantity and quality of ammunition it produces for its basic weapons. [Deleted.] Inadequate quality control procedures limit effectiveness, as does the reluctance to pay for foreign technical assistance.

ROK arms sales

As indigenous defense production capabilities have expanded, the ROK has sought American approval to sell American originated defense equipment to third countries. Between February 1974 and February 1977, several Korean export requests were processed by the U.S. Government.

[Deleted.]

The United States has also endorsed a request allowing Korea to sell 60-mm, 81-mm, and 4.2-inch mortars and the 106-mm recoilless rifle. Generally, however, the U.S. Government has prohibited sales to third countries on the basis that these are in direct competition with U.S. industries.

*is items no longer produced in
the U.S.*

Foreign purchases

Although most of the ROK defense equipment is presently produced under U.S. license, there may be future exceptions. Specifically, the South Koreans have been discussing possible purchases of rifle grenades, anti-tank weapons, multiple rocket launchers, ship to ship missiles, air defense missiles, armored personnel carriers, and tanks with other national governments. This attempt to diversify suppliers presumably reflects nagging doubts about the reliability of the U.S. commitment, and, of course, differing opinions on the desirability of certain weapons systems. The United States does not produce multiple rocket launchers or a ship-to-ship missile of [deleted] miles range, both systems in which ROK officials are interested.

The more significant policy question, however, is how the ROK economy reacts to expansive overseas defense purchasers. Clearly the South need not match the North item for item. For instance, South Korea has no need to acquire submarines. More importantly, South Korea cannot afford vast overseas arms purchases without endangering her economy. In the opinion of many analysts, South Korean defense spending cannot exceed ten percent of its GNP without adversely affecting the general economy and, therefore, political stability.

51. "Plans to Produce Sophisticated Combat Aircraft Reported," Foreign Broadcast Information Service, August 31, 1978

PLANS TO PRODUCE SOPHISTICATED COMBAT AIRCRAFT REPORTED

SK280138Y Seoul HAPTONG in English 0113 GMT 28 Aug 78 SK

[Text] Seoul, 28 Aug (HAPTONG)--South Korea, which has already started mass production of powerful weaponry like the M-500 light helicopter and M-48A5 and M-48A3 tanks, plans to embark on preparatory steps this year to produce highly sophisticated combat aircraft, it was learned over the weekend.

The decision on the plane production was made at a meeting Saturday of cabinet ministers and key defense industrialists held at the Blue House, government sources said.

The meeting, a standing consultative body set up in June last year to map out ways of promoting the defense industry of the country in the face of growing threats from North Korea, was presided over by President Pak Chong-hui.

The government had originally planned to start the production of jet fighters in the 1980's. It was not immediately made available what type of aircraft the government was eyeing but an informed source said it will be one of the up-to-date combat planes with high capability.

The first phase of the plan is, according to the source, to set up aircraft-producing factories and hangars and to produce aircraft engines by the early 1980's.

The U.S. has been informed of the Korean Government's plan in advance and expressed its understanding, the source added.

South Korea is inferior in air capability to the North. The South has 875 planes, the North 1,783, according to a latest report made public by Britain's International Institute for Strategic Studies.

At Saturday's conference, President Pak called on the defense industrialists to exert more efforts to develop the country's defense industry, Yim Pang-hyon, spokesman for the president, said.

The chief executive further asked them to step up protective measures for their facilities, Yim added.

FOREIGN MINISTRY RESHUFFLES 12 OFFICIALS ON 30 AUGUST

SK310020Y Seoul HAPTONG in English 0836 GMT 30 Aug 78 SK

[Text] Seoul, 30 Aug (HAPTONG)--No Chang-hui, counselor at the Korean Embassy in Sweden, was made coordinating official in charge of American affairs, the Foreign Ministry, in a reshuffle affecting 12 foreign service officials effective today.

Chang Myong-kwan of the Institute for Diplomacy and National Security became coordinating official in charge of Asian affairs, and Kwon Pyong-hyon, counselor at the Korean Embassy in Tokyo, principal officer in charge of Japan.

Other assignments were as follows (those in the brackets are old posts):

Chief of the Third Trade Section, the Trade Affairs Bureau: Kim Yong-son (counsel at the Consulate General in San Francisco)

52. "Korea Herald on Country's Ground-to-Ground Missiles," Foreign Broadcast Information Service, September 28, 1978

PRESIDENT PAK REGRETS DPRK'S ABSENCE FROM SPORTS EVENT

SK280215Y Seoul HAPTONG in English 0043 GMT 28 Sep 78 SK

[Text] Seoul, 28 Sep (HAPTONG)--President Pak Chong-hui has voiced regret over the absence of North Korea and East European countries from the on-going world shooting event here. "It is extremely regrettable that North Korean and East European shooters are unable to participate in the world shooting championship," Pak said during his reception of 34 officials of Union Internationale de Tir including its Executive Committee President George Vichos Wednesday. The officials visiting Korea to attend the world shooting event opened here last weekend paid a courtesy call on Pak Wednesday.

UIT Secretary General Ernst Zimmerman responded the infusion of politics in a sports event is not a right thing to do. Pak told an Egyptian vice president of UIT, Shafiq Mianna, he was has high regard for the efforts of Egyptian President Anwar as-Sadat for a Middle East peace and hoped his peace initiative bears fruit.

Pak was presented by Vichos with a plaque and commemorative medal in appreciation of the efforts host Korea has expended in the preparation of the shooting event.

OFFICIAL SAYS TOK-TO NOT CEDED TO JAPAN

SK280904Y Seoul HAPTONG in English 0811 GMT 28 Sep 78 SK

[Text] Seoul, 28 Sep (HAPTONG)--Vice Agriculture-Fisheries Minister Nam Wuk said today that the government has never turned over Korea's "golden" fishing ground off Tok-to, a disputed island claimed by both Korea and Japan, to Japan. He made the remark in response to questions from members of the house Agriculture-Fisheries Committee which held a hearing on overall agriculture-fisheries affairs.

He echoed the view of Vice Foreign Minister Yi Mun-yong that Tok-to, known as Takeshima in Japan, is traditionally an integral part of the Korean territory. The barren island lying between Korea and Japan is now under the control of South Korea. Tok-to lies within the recently proclaimed 12-mile territorial waters' limit of Korea, he went on.

He denied as "utterly groundless" a rumor that Korean and Japanese fishing boats were jointly engaging in operations off the island.

KOREA HERALD ON COUNTRY'S GROUND-TO-GROUND MISSILES

SK282343Y Seoul THE KOREA HERALD in English 28 Sep 78 p 4 SK

[Editorial: "Development of Missiles"]

[Text] The successful test-firing Tuesday of medium and long-range ground-to-ground missiles, developed by our defense scientists, marks a gigantic step forward in the national endeavor to establish a self-reliant defense posture. The underlying significance of this success is the contribution it will make in enhancing the cause of peace on the Korean Peninsula through the strengthening of our deterrence power.

The whole process of development, involving designing, manufacturing and experimentation, was carried out entirely by Korean scientists and technicians. The Ministry of Defense claims that this country has become the seventh nation in the world to produce missiles of medium and long range.

The importance of guided missiles as a principal weapon in modern warfare was amply manifested in the fourth Middle East war where the opposing camps introduced more modern versions to assert superiority in the conduct of the war. Military powers are now directing increased efforts toward the further improvement of their guided missile weaponry to develop models with stronger firepower, longer range and greater precision. The firepower of the U.S. forces stationed here is supplementing ours to help maintain rough equilibrium with the north in overall firepower, but our arsenal of missiles has been regarded as inferior to the north.

Pyongyang is known to possess Frog-7 missiles with a range of 100 km which were supplied by the Soviet Union. The missile can reach far south of the capital city of Seoul. Our armed forces have some types of ground-to-air missiles such as Hawk and Nike Hercules. But as far as ground-to-ground missiles are concerned, our army is equipped only with Honest John model short-range projectiles.

Apparently for national security reasons, the defense authorities did not disclose the characteristics of the Korean-model missiles, but they indicated that the newly developed models are powerful enough to overwhelm the North's Frog-7. If so, the Korean-model missiles, when mass-produced and deployed, can enable our forces to have superiority over the North in regular warfare.

The manufacture of guided missiles requires a very high standard of scientific technology, and the successful test-firing of the missiles may well indicate that our defense industry has reached the stage of being capable of producing high-precision scientific military weapons essential not only to assert superiority in warfare but also to bolster a deterrent to war. It has to be noted that development of the missiles and other items of modern weaponry such as antitank rockets, which all struck their targets accurately in Tuesday's test, was made possible by the support of the entire population rendered in the form of the defense tax and voluntary contributions.

The fundamental duty of defense rests upon ourselves as an independent nation, and the U.S. Government decision last year to withdraw its ground forces from Korea has created the vital need for this country to accelerate the buildup of our defense industry. The American decision, in our thinking, was made in the broad context of its global foreign policy rather than after a prudent assessment of the high possibility of renewed hostilities on the Korean Peninsula in light of the north's steadfast adherence to the policy of armed conquest of the south.

Any gap that may be created by the departure of American ground combat elements has to be filled by us to the best of our ability. Nevertheless, the ultimate objective of our current defense industry development endeavor is to promote the cause of peace in the Korean Peninsula, and equally important efforts will have to be sustained to bring Pyongyang to constructive dialogue aimed at alleviating military tensions between the divided halves of the Korean Peninsula.

III. INTELLIGENCE ACTIVITIES AND PLANS AND EXECUTIVE BRANCH AWARENESS OF QUESTIONABLE KOREAN ACTIVITIES ("SANITIZED" MATERIAL DELETED BY EXECUTIVE BRANCH

53. "Sanitized" State Department memorandum, subject: Farwell of the ROK CIA Station Chief; participants: Ambassador Winthrop G. Brown, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs; Minister Yoon Ho Kim, Embassy of the Republic of Korea; Henry Bardach, Country Officer for Korea; dated February 5, 1969

Planes Long - Sun
Memorandum Conversation 4860 034669
(FEB 10 1969) DATE: February 5, 1969

cc: Farwell of the ROK CIA Station Chief

CIRANTS: Ambassador Winthrop G. Brown, Deputy Assistant Secretary, Bureau of East Asian and Pacific Affairs

Minister Yoon Ho Kim, Embassy of the Republic of Korea

Mr. Henry Bardach, Country Officer for Korea

S TO: EA - 2 Embassy SEOUL - 2
EA/K - 2 (1 cc) CINCPAC for POLAD - 1
EA/P - 1
INR - 10

Release para 4567 + 9 only.

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BY STATE DEPARTMENT

[
MATERIAL DELETED
BY STATE DEPARTMENT
]

4. Kim then let his hair down regarding Mr. Tungsun Pak of the Georgetown Club in Washington, D.C. He wanted us to know that Tungsun Pak was an agent for the California rice interests and had injected himself into the ROKC negotiations on the rice deal. In addition to some sizeable commissions, Pak was now taking full credit with the ROKC for the role he had played in pushing this deal. He described Pak as a promoter and operator. Kim thought that we should have a copy of the invitation (attached), which Pak and had jointly extended to Ambassador Porter during the Ambassador's visit in December, and somewhat gleefully added that this dinner had not come off since had to be in California that day and Ambassador Porter could not make it.

5. Kim said that Tungsun Pak was also taking credit for arranging the forthcoming visit of the Congressional group headed by to Korea. Pak, he added, had travelled to Seoul recently to make the necessary arrangements with the National Assembly for this parliamentary exchange visit.

6. We asked Kim about Tungsun Pak's precise connection with the Georgetown Club. Kim said that Pak was not a manager of the Club but had been one of its founders together with his brother Ken Pak (whom he described as a very pleasant person) and various other interests including Ambassador-at-Large . Tungsun Pak apparently uses the Club as a base for operations and business deals.

1651

~~... is a final "gift" to us, Kim said he wanted us to have
the list of officers (attached) which the Vice Speaker of the
National Assembly had sent to [redacted] regarding
their forthcoming visit to Seoul.~~

[MATERIAL DELETED
BY STATE DEPARTMENT]

9. Tungsun Pak certainly merits a close watch and some circumspection. He recently joined the millers' representatives in pushing for the CCC credits for barley, wheat and corn, and emphasized that the achievement of such credits had the "greatest political significance" for the ROKG. The implication may well be that such credits will enable the millers to make greater contributions to political funds that are likely to be used to promote a public clamor for the third-term amendment. Moreover, Tungsun Pak may well have the third-term issue in the back of his mind when he helped to promote the parliamentary exchange visit. He and others in the ROK may feel that such an exchange might be an opportune way to win friends among some of our key Congressional officials for the third-term proposition. On the other hand, the reverse could also be the case.

Atk

Attachments:

1. Invitation
2. Letters

54. The Korean Cultural and Freedom Foundation, Inc., Minutes of Special Meeting of the Executive Committee, dated January 14, 1970

THE KOREAN CULTURAL AND FREEDOM FOUNDATION, INC.

SPECIAL MEETING OF THE EXECUTIVE COMMITTEE, JAN. 14, 1970

A special meeting of the Executive Committee of the Korean Cultural and Freedom Foundation was held at Washington headquarters 1028 Connecticut Avenue N.W., Washington D.C. @ 10 P.M. on January 14, 1970. The following attended:

Ambassador You Chan Yang, Chairman of the Board
Col. Bo Hi Pak, President
Mr. Jhoon Rhee, Vice President
Mr. Charles M. Fairchild, Treasurer
Mrs. Sylvia R. Reiter, Secretary

Ambassador Yang presided as Chairman of the meeting and Mrs. Reiter as Secretary thereof. The minutes of the previous meeting were read and unanimously approved.

This particular meeting was called by Ambassador Yang for the purpose of recommending a new chairman of the board for the Korean Cultural and Freedom Foundation. He read the following letter which he had written to Mr. L. William Horning on January 7th, 1970 and also this is followed by Mr. Horning's letter in reply, in which Mr. Horning expresses his willingness to accept the recommendation as Chairman of the Board of KCFF:

January 7, 1970

Mr. L.W. Horning
4906 Bay Shore Road
Sarasota, Florida 33580

Dear Bill:

This is my fervant hope and request that you will undertake this special recommendation without any hesitation. This letter is being written to

you as my recommendation that you accept the Chairmanship of the Board of Directors of the Korean Cultural and Freedom Foundation, Inc.

Also, I make it very clear that I am also doing this because of Col. Bo Hi Pak, President of KCFF. Bill, KCFF has never been as promising insofar as the future is concerned, than it is right now. I just examined our annual auditor's reports and I cannot help but be impressed by the Foundation's steady progress after knowing of all the "tears and sweat" that went into the early pioneering work of this Foundation. This Foundation was conceived with good purpose and with a noble goal and it pursued and is pursuing that goal effectively. It now has about fifty thousand supporters--those who love Korea and who love freedom.

ROFA is going well, and the Little Angels are also in the hearts of both of us. For this, I personally and the Foundation as a whole feel deeply indebted to Col. Pak for his untiring persistance and hard work. But this need not be explained to you.

KCFF truly captured a large part of my heart and this will remain so as long as I live. I enjoy working with Col. Pak and we have an almost father/son relationship. I shall work with him and the Foundation in full strength with all my heart and soul without deviating one iota of my attention.

The reason I am suggesting you for the chairmanship is this: I am officially Ambassador at Large for the Republic of Korea and President Park has me in his special confidence and assigns me to many special governmental missions, such as lobbying for the 50 million dollar special military assistance to Korea, by the U. S. Congress. While I am following my president's instructions as a government official, I sometimes find myself in a political environment. I do not want KCFF IN any way to be misunderstood by anyone as having a political purpose in its activities. As a Korean government official (even though not accredited by the U.S. government) it is not wise to have the position as chairman of KCFF--much as I relish it. You know, Bill, that I love the organization and really do not wish to avoid any responsibility.

Where can we find a better Chairman than you? In fact, Col. Pak recommended you so highly; you as a Founder of this Foundation and you as a distinguished citizen who thinks of Korea as his second home--you are the most natural person to be chairman.

The work will not be burdensome. Col. Pak and I will do everything just the same way as we did this far, but we will keep you informed of the activities and ask for your wise counsel and leadership.

So, I would like to hear "yes" from you in the next few days. Then I will make it formal.

My very best regards to Mrs. Horning and to both of you
go my fondest New Year's greetings.

Very sincerely yours,

You Chan Yang
Ambassador at Large,
Republic of Korea

YCY/sr

* * * * *

January 12, 1970

Honorable Dr. You Chan Yang
Ambassador at Large, Republic of Korea
c/o Korean Cultural and Freedom Foundation
1028 Connecticut Avenue N.W.
Washington D.C. 20036

Dear Chan:

Of course I will accept. For you and Colonel Pak and to help the
good cause I will gladly do so.

I would like to see the Korean Cultural and Freedom Foundation grow
and prosper and I sincerely hope that with all of us working and pulling
together, we might continue the great progress that you and Colonel
Pak have made in recent years.

I will try to get to Washington ere long and at some convenient time
when all of us can get together and perhaps learn how I can best help.

I fully understand your position and the reasons which impel you to re-
linquish the chairmanship. I only hope I may be able to do half as well
and perhaps share some of the burdens which are resting on the shoulders
of Colonel Pak.

When are we due to have a Board meeting? Perhaps we can plan one and
the agenda therefor when we get together.

With best wishes to you and Polly, I am,

Sincerely,

(Bill)

Under these circumstances, Ambassador Yang motioned to pass a resolution that will show his relinquishment as Chairman of the Board of KCFF and the new appointment of Mr. L. William Horning as Chairman of the Board of KCFF. Col. Pak seconded the motion and it was approved by the committee and unanimously carried:

RESOLVED: As of this date, the committee accepts the resignation of Ambassador You Chan Yang as Chairman of the Board of KCFF with regret and elects Mr. L.W. Horning as new Chairman of the Board of KCFF.

This Foundation honors Ambassador You Chan Yang as a Founder of the organization. In order to honor his service, the Foundation elevated his post to Honorary Chairman of KCFF. Because of his duties in his official capacity with the Korean Government, the Ambassador has to relinquish his chairmanship but this committee as well as the Foundation will seek his close guidance and leadership which has been a tower of strength to this Foundation.

The Executive Committee and Foundation cordially welcomes the new Chairman of the Board, Mr. L. W. Horning who was also not only a Founder of this Foundation, but has been an inspiring supporter. This committee therefore, not only welcomes this new chairman, but proclaims that this event will add and strengthen the leadership toward the achievement of the Foundation's goal. This committee assigns the responsibility of proper and adequate press release on behalf of the new chairman to Col. Bo Hi Pak, President.

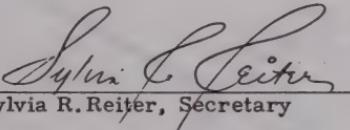
Col. Pak then motioned for the new election of the Members of the Executive Committee since this is the first meeting of the new year. This was seconded by Mrs. Reiter and unanimously carried. The following resolution was adopted:

RESOLVED: The following members are elected as members of the Executive Committee, KCFF, for the year 1970 as the actual managing body of this Foundation whose power is vested by the Board of Directors:

Mr. L. William Horning	- Chairman of the Board
Col. Bo Hi Pak	President
Mr. Jhoon Rhee	Vice President
Mrs. Sylvia R. Reiter	Secretary
Mr. Charles Fairchild	Treasurer
Miss Morna H. Yoon	Assistant Treasurer

Col. Bo Hi Pak, President of the Foundation acts as Chairman of the Executive Committee. This committee will regularly meet but can hold special meetings by notice of the President.

There was no further business and the meeting was adjourned.



Sylvia R. Reiter
Sylvia R. Reiter, Secretary

55. Certificate and Articles of Incorporation of Conference for Development of Free Institutions, Inc., filed September 23, 1970, in Washington, D.C., and accompanying documents

RECORDER OF DEEDS

WASHINGTON



This is to certify that the pages attached hereto constitute a full, true, and complete copy of CERTIFICATE AND ARTICLES OF INCORPORATION OF CONFERENCE FOR DEVELOPMENT OF FREE INSTITUTIONS, INC., AS RECEIVED AND FILED SEPTEMBER 23, 1970, TOGETHER WITH THE CERTIFICATE OF REVOCATION, FILED SEPTEMBER 11, 1972.

as the same appears of record in this office.

In Testimony Whereof,

I have hereunto set my hand and caused the seal of this office to be affixed, this

the _____ 13th _____ day of

_____MARCH _____ A. D. 1978

PETER S. RIDLEY,
Recorder of Deeds, D. C.

By _____ Daniel H. Cole

Superintendent of Corporations

OFFICE OF RECORDER OF DEEDS
Corporation Division
Sixth and D Streets, N. W.
Washington, D. C.

CERTIFICATE OF REVOCATION

THIS IS TO CERTIFY that pursuant to the Code of Laws for the District of Columbia, the Certificate of Incorporation of CONFERENCE FOR DEVELOPMENT OF FREE INSTITUTIONS, INC. is revoked as of September 11 1972.

PETER S. RIDLEY,
Recorder of Deeds, D.C.

By Alfred Goldstein
Superintendent of Corporations

FILED

-9-11-72

By AMC

OFFICE OF RECORDER OF DEEDS, D. C.

Corporation Division
 Sixth and D Streets, N. W.
 Washington, D. C. 20001

702271

CERTIFICATE

THIS IS TO CERTIFY that all provisions of the District of Columbia Non-profit Corporation Act have been complied with and ACCORDINGLY this Certificate of Incorporation

is hereby issued to the CONFERENCE FOR DEVELOPMENT OF

FREE INSTITUTIONS, INC.

as of the date hereinafter mentioned.

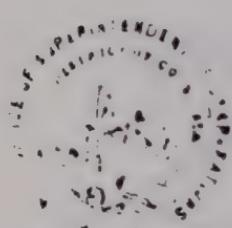
Date September 23, 1970.

PETER S. RIDLEY,

Recorder of Deeds, D. C.

Nathaniel Grossman

Assistant Superintendent of Corporations



FILING FEE	\$ 10.00
INDEXING FEE	\$ 2.00

**ARTICLES OF INCORPORATION
OF THE
CONFERENCE FOR DEVELOPMENT OF FREE INSTITUTIONS, INC.**

To: The Recorder of Deeds, D. C.
Washington, D.C.

We, the undersigned natural persons of the age of twenty-one years or more, acting as incorporators of a corporation adopt the following Articles of Incorporation for such corporation pursuant to the District of Columbia Non-profit Corporation Act.

FIRST: The name of the Corporation is:

**CONFERENCE FOR DEVELOPMENT OF
FREE INSTITUTIONS, INC.**

SECOND: The period of duration is: perpetual

THIRD: The purpose or purposes for which the Corporation is organized are as follows:

[a] To conduct a charitable, educational and scientific program for the furtherance of understanding between citizens of the United States and citizens of the various countries in Asia;

[b] To conduct seminars and speaking tours utilizing the services of renowned educators and scientists in the various fields of educational and scientific endeavor and to establish and grant scholarships to worthy students to be administered in a manner to satisfy the provisions of Section 501 (c)(3) of the Internal Revenue Code of 1954; and all other relevant sections of the Internal Revenue Code as they now exist or hereafter may be amended;

[c] To publish reports, journals, and newsletters regarding various fields of educational and scientific endeavor;

[d] To serve as an exclusively charitable, educational and scientific corporation, as provided in Section 501 (c)(3) of the Internal Revenue Code of 1954, as it is now in force or as it may be amended. In furtherance of its charitable, educational and scientific purposes, it shall receive contributions and, in the discretion of its Board of Directors, shall allocate them to any organization organized and operated exclusively for charitable, educational or scientific purposes, as provided in Section 501 (c)(3) of the Internal Revenue Code of 1954, as it is now in force or as it may be amended. Provided, however, that, notwithstanding any provision in this paragraph which may be construed to the contrary, the Corporation shall not engage in any activities which are inconsistent with the requirements of the Internal Revenue Code of 1954, as it is now in force or as it may be amended, as they pertain to charitable, educational or scientific corporations, and, provided further, that the assets of the Corporation shall at no time inure to the benefit of any person having a personal or private interest in the Corporation or of any substantial contributor to

FILED
23 SEP 1970

BY: WJ

the Corporation or to the benefit of any member of his family or corporation controlled, either directly or indirectly, by him, except for reasonable allowances for salaries for services actually rendered and for reimbursement in reasonable amounts of expenses actually incurred in attending to the affairs of the Corporation, and, provided further, that no part of the activities of the Corporation shall consist of the carrying on of political propaganda, or of otherwise attempting to influence legislation, and that the Corporation shall not participate in any political campaign on behalf of any candidate for public office;

[e] To promote the said purposes of the Corporation through the media of radio, television, newspapers, magazines, journals, and other such public media, and by direct mail advertising;

[f] In general to exercise such other powers as now are or hereafter may be conferred by law upon a corporation organized for the purposes hereinabove set forth, or as are necessary or incidental to the powers so conferred, or as are conducive to the attainment of the purposes of the Corporation, subject to the limitation and condition that, notwithstanding any other provision of this certificate, only such powers shall be exercised as are in furtherance of the tax-exempt purposes of the Corporation and as may be exercised by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or as they may hereafter be amended, and by an organization, contributions to which are deductible under Section 170(c)(2) of such Code and Regulations and they now exist, or as they may hereafter be amended.

FOURTH: This Corporation shall supervise and control disbursement of all funds solicited or otherwise obtained by this Corporation by or through contributors to assure that said funds shall be expended only for such purposes as are in accordance with the provisions of the United States Internal Revenue Code as it now exists or may hereinafter be amended, so as to lawfully permit individual or organizational contributors to this Corporation to deduct such contributions from their United States income taxes, if for no reasons otherwise prohibited, and further, so as to assure the continued tax-exempt status of this Corporation and to withhold from use by any donee any part of such funds as may not under provisions of the United States Internal Revenue Code, be expended for purposes then intended, and upon dissolution, or sooner, if otherwise necessary, distribute any such funds held by this Corporation to any charitable organizations within the United States or elsewhere which shall qualify as the proper donee of such funds for purposes in income tax-deductibility by individual or organizational contributors to, and as shall permit the continued tax-exempt status of this Corporation.

FIFTH: Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any

of such assets not so disposed of shall be disposed of by the court of original jurisdiction of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

SIXTH: The Corporation shall consist of members.

SEVENTH: The Corporation is to be divided into two (2) classes of members. The designation of each class of members, the qualifications and rights of the members of each class and conferring, limiting, or denying the right to vote are set forth in the By-Laws.

EIGHTH: The manner of election or appointment of the directors of the Corporation shall be set forth in the By-Laws.

NINTH: Provisions for the regulation of the internal affairs of the Corporation shall be set forth in the By-Laws.

TENTH: The address, including street number of its initial registered office is:

1101-17th Street, N.W., Suite 406
Washington, D.C. 20036

and the name of its initial registered agent at such address is:

Lawrence D. Huntsman, Esquire

ELEVENTH: The number of directors constituting the initial board of directors is three (3), and the name and addresses, including street and number of the persons who are to serve as the initial directors until the first annual meeting or until their successors be elected and qualified are:

<u>NAME</u>	<u>ADDRESS</u>
Donald A. Brown	1101-17th Street, N.W., Washington, D.C.
Lawrence D. Huntsman	1101-17th Street, N.W., Washington, D.C.
Edward M. Statland	1101-17th Street, N.W., Washington, D.C.

TWELFTH: The name and address, including street and number, of each of the incorporators is:

<u>NAME</u>	<u>ADDRESS</u>
Frances W. Alspach	1100-22nd Street, N.W., Washington, D.C.
Lawrence D. Huntsman	1101-17th Street, N.W., Washington, D.C.
Edward M. Statland	1101-17th Street, N.W., Washington, D.C.

Date: September 21, 1970

Thrée

Frances W. Alspach

Frances W. Alspach

Lawrence D. Huntsman

Lawrence D. Huntsman

Edward M. Statland

Edward M. Statland

INCORPORATORS

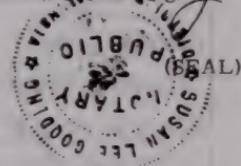
DISTRICT OF COLUMBIA: SS

I, Susan Lee Gooding, a Notary Public in and for the District of Columbia, hereby certify that on the 21st day of September, 1970 personally appeared before me, Frances W. Alspach, Lawrence D. Huntsman and Edward M. Statland, who signed the foregoing document as incorporators, and that the statements therein contained are true.

Susan Lee Gooding

NOTARY PUBLIC (Susan Lee Gooding)

My Commission Expires:

My Commission Expires August 14, 1974

SEP-29-70 302476 A15093 • -67- • 10.00

56. List of incorporators of Conference for Development of Free Institutions, Inc. with related correspondence, dated April 5, 1971

April 5, 1971

Georgetown Club
1530 Wisconsin Avenue, N. W.
Washington, D. C.
Attn: Mr. Kim

Re: Conference for Development of Free Institutions, Inc.

Dear Mr. Kim:

I am enclosing herewith an annual report to be filed on behalf of Conference for Development of Free Institutions, Inc. If you will refer to the form, you will see that the names and addresses of directors and officers must be listed on this form. Since I do not know who the directors and officers of the corporation are at this time, I am sending this to you for completion.

This form must be filed by April 15, 1971.

Very truly yours,

Lawrence D. Huntsman

LDH:mc
Encl.

John W. McCormack
Rep. from Massachusetts

Chairman -
Advisory Committee

Senate Series

Washington, D.C.

March 13, 1970

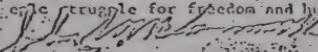
The Speaker's Room

U.S. House of Representatives
Washington, D.C.

March 13, 1970

The Conference for the Development of Free Institutions offers programs and activities designed to bring together those concerned with the making of laws in South Korea and the United States. It thus provides a rare opportunity to share our legislative experiences and insights with our counterparts in Korea. I urge all friends of free Korea and my colleagues to take advantage of the programs offered by the Conference for the Development of Free Institution

As we are all aware, South Korea has been not only one of our most faithful allies in Asia but also has shown a remarkable ability and willingness to defend its own freedom and develop its economy. In our new effort to see our Asian friends carry a greater share of the burden for their own destiny, South Korea gives us a renewed hope and a new assurance. Let us all be generous in our friendship, and join our Korean friends in their曲折 struggle for freedom and human dignity.


John W. McCormack, M.C.
Speaker, U.S. House of Representatives

The name and address, including street and number, of each incorporator is:

NAME

ADDRESS

Burkard T. Hanna
Hon. Richard T. Hanna

House of Representatives
Washington, D.C.

Nick Galifianakis
Hon. Nick Galifianakis

House of Representatives
Washington, D.C.

John Schrote
Mr. John Schrote

1338 Longworth House Office
Building
Washington, D.C.

Donald E. Lukens
Hon. Donald E. Lukens

House of Representatives
Washington, D.C.

Seymour Halpern
Hon. Seymour Halpern

House of Representatives
Washington, D.C.

Mitchell P. H. Nam
Mr. Kenneth P. H. Nam

233 Broadway
New York, N.Y.

Kyung-nam Kim
Prof. Kyung-nam Kim

New York University
New York, N.Y.

Gisbert Venz
Prof. Gisbert Venz

New York University
New York, N.Y.

Frank R. Gaitor
Mr. Frank R. Gaitor

494 N. Owen St.
Alexandria, Virginia

Joseph E. Karth
Hon. Joseph E. Karth

House of Representatives
Washington, D.C.

Edwin Edwards
Hon. Edwin Edwards

House of Representatives
Washington, D.C.

R. W. Poage

Hon. R. W. Robert Poage

House of Representatives
Washington, D.C.

David Pryor

Hon. David Pryor

House of Representatives
Washington, D.C.

John McFall

Hon. John McFall

House of Representatives
Washington, D.C.

Albert H. Wm. Quie

Hon. Albert Quie

House of Representatives
Washington, D.C.

Thomas P. O'Neill

Hon. Thomas O'Neill

House of Representatives
Washington, D.C.

John S. Foley

Hon. John S. Foley

House of Representatives
Washington, D.C.

Tom Foley

Hon. Tom Foley

House of Representatives
Washington, D.C.

Carl A. Gallagher

Hon. Carl A. Gallagher

House of Representatives
Washington, D.C.

Chester L. Mize

Hon. Chester Mize

House of Representatives
Washington, D.C.

Lee Hamilton

Hon. Lee Hamilton

House of Representatives
Washington, D.C.

Frank Trager

Professor Frank Trager

House of Representatives
Washington, D.C.

Eligio de la Garza

Hon. Eligio de la Garza

New York University,
New York, New York

John N. Clappy Camp

Hon. John N. Clappy Camp

House of Representatives
Washington, D.C.

John W. H. Campbell

House of Representatives
Washington, D.C.

<u>Edward Patten</u>	Hon. Edward Patten	<u>Longworth Office Bldg.</u>
<u>Richardson Preyor</u>	Hon. Richardson Preyor	<u>Longworth Office Bldg.</u>
<u>Albert Johnson</u>	Hon. Albert Johnson	<u>1424 Longworth Bldg.</u>
<u>Robert L. Duggett</u>	Hon. Robert L. Duggett	<u>229 Cannon Bldg.</u>
<u>Peter W. Frelinghuysen</u>	Hon. Peter Frelinghuysen	<u>2162 Rayburn Office Building</u>
<u>J. H. Hastings</u>	Hon. James F. Hastings	<u>1107 Longworth Bldg.</u>
<u>William E. Minshall</u>	Hon. William E. Minshall	<u>2343 Rayburn Bld.</u>
<u>Spark Matsunaga</u>	Hon. Spark Matsunaga	<u>442 Cannon Office Bldg.</u>
<u>Walter Flower</u>	Hon. Walter Flower	<u>1314 Longworth Bldg.</u>
<u>Peter N. Myers</u>	Hon. Peter N. Myers	<u>327 Cannon Bldg.</u>
<u>Jane's Mann</u>	Hon. Jane's Mann	<u>1109 Longworth Bldg.</u>
<u>Cornelius Gallagher</u>	Hon. Cornelius Gallagher	<u>225 Cannon Building</u>
<u>Thomas L. Ashley</u>	Hon. Thomas L. Ashley	<u>2427 Rayburn Bldg.</u>

NAMEADDRESS

Lawrence J. Hogan

Nor. Lawrence J. Hogan

1027 Longworth

Melvin Price

Nor. Melvin Price

2468 H.O.B.

James G. Morton

Mr. James Morton

Washington, D.C. and
Nags Head, North Carolina

Phil D. Helming

Mr. Phil D. Helming

1025 Concourse
Wash D.C.

Robert A. Scalapino

Prof. Robert A. Scalapino

Bill Alexander 1110 K Street, N.C.
Hon. Bill Alexander
Dick Brademas 215 4th Street, N.W.

John Paul Hammerschmidt
Hon. John Paul Hammerschmidt

House of Representatives
Washington, D. C.

Joseph Montoya

CONFERENCE FOR THE DEVELOPMENT OF FREE
INSTITUTIONS
A Statement of Purpose

One of the fundamental lessons of history is that although men are born free, societies have to be made free. It is out of this need to develop and defend free societies that the drama of human struggle takes its shape and meaning. Indeed, all the sufferings and sacrifices of mankind would be in vain if it were not for the vision of freedom yet to be achieved throughout the world.

It is, therefore, most heartening to realize that as mankind struggles to throw off the chains of the past, the clear and distinct trend of modern times has been definitely toward the enlargement of freedom in an increasing number of societies. Yet, we are also acutely aware of threats and obstacles to the full realization of freedom in many corners of the world. Totalitarianism, poverty, ignorance and disease are only some among such obstacles to be overcome. There are others, such as the absence of tradition of freedom and insufficient commitment to defend it. For all these reasons, then, it becomes imperative for the more developed nations not to remain indifferent to the efforts of new states struggling on the road to freedom and economic development.

The record of the United States in this regard is a most remarkable one. Despite its traditional tendency to remain somewhat aloof from the rest of the world, the United States quickly adapted itself to the changing international environment and generously gave of its resources, both human and material, for the development of a free world. As a result, a country such as South Korea, placed under the most difficult imaginable conditions, yet found it possible not only to survive as an independent nation, but also to grow as a free society as well.

From the beginning, the American aid to Korea has been both governmental and informal. Aside from the formal relations between the governments in Washington and Seoul, there has been a continuous flow of contacts and exchanges between the American and Korean leaders in arts, sciences and religion. It is no exaggeration to say that a large part of the credit for Korea's success in laying the foundation for a free society belongs to such nongovernmental relations.

One conspicuous exception, however, to this general pattern of contacts and exchanges has been the rather surprising absence of any opportunity for Korean legislators to meet with their American counterparts to exchange and share ideas and experiences of mutual concern. This lack of contact between legislators is all the more regrettable since the potential benefit is so great and so fundamental to the development of free institutions.

The purpose of the Conference for the Development of Free Institutions is precisely to remedy the above situation and meet the need for informal contacts between makers of laws in America and Korea. The Conference will attempt to achieve this purpose by organizing seminars and symposiums where ideas of mutual interest can be informally discussed in an atmosphere free from the pressures of official business. The Conference will also attempt to establish channels of communication by arranging for publication of relevant information and other materials. In short, the Conference is founded on the belief that, as increasing numbers of Koreans and Americans, including academics, artists and religious leaders as well as governmental officials, have come into contact with each other for the benefit of both sides, so too the legislators can and must gain fresh ideas and valuable insights from each other. We believe that what the Conference aims to do is long overdue, and it is time for us to move ahead into the future of free men and free societies by building bridges across free nations.

57. "Sanitized" memorandum from C. D. Brennan to W. C. Sullivan, dated June 14, 1971

OPTIONAL FORM NO. 10
GSA GEN. REG. NO. 17
UNITED STATES GOVERNMENT

Memorandum

TO : W. C. Sullivan

FROM : C. D. Brennan

SUBJECT: UNKNOWN SUBJECT;

INTERNAL SECURITY - SOUTH KOREA

- 1 - Mr. W. C. Sullivan
 1 - Mr. C. D. Brennan
 1 - Mr. G. A. Day
 DATE: 6/14/71
 1 - Mr. E. R. Harrell
 1 - Mr. W. R. Wannall

Tolson _____
 Sullivan _____
 Mohr _____
 Bishop _____
 Casper _____
 Conrad _____
 Cutshaw _____
 Felt _____
 Gale _____
 Rosen _____
 Tavel _____
 Walters _____
 Severs _____
 Beaver _____
 Tele. Room _____
 Holmes _____
 Gandy _____

W. D. Mardian

This afternoon (6/14/71) Assistant Attorney General Mardian telephoned to ask if the Bureau was investigating information indicating [redacted]

[redacted] I advised him that we were aware that the intelligence element "A" had produced [redacted]

request for any investigation and were not conducting any. He asked that he be briefed on this matter and I sent W. R. Wannall down to do it after making certain that Mr. Mardian is cleared [redacted]

intelligence element "A"

The facts are these: The [redacted] advised us orally late last week of

intelligence element "A" [redacted] When this was called to our attention by [redacted] we pointed out obvious White House interest and were told the [redacted] material would be forwarded to the White House. Mr. Mardian was advised of the foregoing information.

Mr. Mardian, in Wannall's presence, talked to the Attorney General by telephone, then stated that the Attorney General requested an immediate discreet inquiry for the purpose of identifying the individual

WRW:bjpb
(6)

164-330 558

RECORDED

CONTINUED - OVER

JUL 15 1971

Memorandum to W. C. Sullivan
RE: UNKNOWN SUBJECT;
[redacted]

named [redacted] In view of the extremely delicate source of the information forming the basis for the inquiries, Mr. Mardian asked if we would undertake the inquiries based on his oral request since protection of [redacted] source must be afforded paramount consideration and he did not like the idea of paper containing material which might jeopardize the source floating around. He was advised that immediate consideration of this would be afforded his request.

The request originating with the Attorney General is one which involves established Bureau investigative responsibilities. As we do not have copies of [redacted] by V we are arranging to get copies immediately. intelligence element "A"

ACTION:

If approved, upon receipt of the material from / we will proceed with a discreet investigation as requested by the Attorney General in an effort to identify [redacted] and will send the results to the Department [redacted]. This involves hand delivery either to the Attorney General's office or Mr. Mardian's office. Both the Attorney General and Mr. Mardian are cleared for access to [redacted]. All results will be brought to the Director's attention prior to delivery to the Department.

u/w
osce
V
OK
D
ML
K
V
DST
YAM

58. "Sanitized" memorandum from W. R. Wannall to C. D. Brennan, dated June 21, 1971

ROUTE IN ENVELOPE

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA GEN. REG. NO. 27

5010-106

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. C. D. Brennan

FROM : W. R. Wannall

SUBJECT: [REDACTED]
INTERNAL SECURITY - SOUTH KOREA

1 - Mr. W.C. Sullivan
1 - Mr. C.D. Brennan
1 - Mr. W.R. Wannall

DATE: 6/21/71

1 - Mr. G.A. Day
1 - Mr. W.J. McDonnell

Tolson	[initials]
Bellanca	
Holmes	
Baker	
Brennan	
Callahan	
Casper	
Conrad	
Daley	
Felt	
Gale	
Rosen	
Tavel	
Watson	
Soyers	
Dever	
Tels. Room	
Mohr	
Gandy	

Memorandum, C.D. Brennan to W.C. Sullivan, 6/14/71, captioned "Unknown Subject; [REDACTED] Internal Security - South Korea" reported an oral request by the Attorney General (AG) on that date for an immediate discreet inquiry to identify [REDACTED]

The Director approved.

Copies of intelligence element "A"

furnished us

6/15/71,

EX-11A REC-6 117-3605-205754-9

3d
11 JUN 29 1971

Enclosure sheet 6-21-71

WJM:dgo JAO (162)
JUL 8 1971

5-mr. W. R. Wannall
CONTINUED ON OVER

Memorandum W.R. Wannall to Mr. C.D. Brennan
Re: [REDACTED]

[REDACTED]

Attached for approval is a letter to the AG, setting forth the results of our inquiries and advising him that in view of the sensitivity of the sources involved in this matter, no further inquiry is being conducted.

ACTION:

If approved, attached letter to AG should go forward.

elt

asw
D
GR.
it
WEL & DS
VJS

59. "Sanitized" memorandum from J. Edgar Hoover, Director, FBI, to John N. Mitchell, Attorney General, dated June 21, 1971

The Attorney General

Director, FBI

14-306-555.
INTERNAL SECURITY - SOUTH KOREA

1 - Mr. W.C. Sullivan
June 21, 1971
1 - Mr. C.D. Brennan
1 - Mr. W.R. Wannall
1 - Mr. G.A. Day
1 - Mr. W.J. McDonnell

INDONESIA
S. KOREA

Si-Fi

Reference is made to your oral request of June 14, 1971, for a discreet inquiry by this Bureau for the purpose of identifying one.

A review of the intelligence element "A" furnished to us on June 15, 1971.

MAILED 3
JUN 21 1971
FBI

Rec'd _____
Sullivan _____
Mohr _____
Bishop _____
Brennan, C.D. _____
Callahan _____
Casper _____
Conrad _____
Doherty _____
Felt _____
Gale _____
Hoover _____
Tavel _____
Salter _____
Soyars _____
Reeves _____
Tele. Room _____
Holmes _____
Andy _____

WJM:dgodfj
(9)

AS

SEE NOTE PAGE TWO

MAIL ROOM TELETYPE UNIT INDEXED

V/V B D K 7/18

The Attorney General

[Redacted block]
In view of the extreme sensitivity of the sources involved, no further investigation is contemplated in this matter.

1 - Assistant Attorney General
Internal Security Division

NOTE:

See memorandum, W.R. Wannall to C.D. Brennan,
6/21/71, same caption, prepared by WJM:dgo.

Classified [redacted] since it contains
information so classified by intelligence element "A"
[Redacted block]
[Redacted block]
[Redacted block]
[Redacted block]
[Redacted block]
[Redacted block]

60. "Sanitized" memorandum from W. R. Wannall to C. D. Brennan, dated July 14, 1971

ROUTE IN ENVELOPE
Memorandum

TO : C. D. Brennan
FROM : W. R. Wannall
SUBJECT:

DATE: July 14, 1971

1 - Mr. Sullivan
1 - Mr. Brennan
1 - Mr. Gale
1 - Mr. Wannall
1 - Mr. McDonnell

Last week Assistant Attorney General Robert C. Mardian telephoned to say that [intelligence element "A"] had called personally to his attention.

Mardian pointed out that because of regulations relating to the protection of [redacted] sources and the small number of people in the Department who are cleared for access to this, he was reluctant to send over a letter for fear of compromising the [intelligence element "A"] source. Therefore, he said he had asked A to get the material in our hands and that it be carefully reviewed to determine if any action can be taken.

We followed this with [intelligence element "A"]

56
RECORDED

WRW/WJM:ams
(6) (WJM) Let to AG 7/16/71 BUREAU SOURCE JUL 30 1971
INDEXED (WJM:ams) Let to Dr. Kissinger SEE ADDENDUM PAGE 3.
CONTINUED - OVER
Special File Room

Memorandum for Mr. Brennan

Re: [REDACTED]

[REDACTED]

We have received no information regarding this matter from any other sources and there is no data in Bureau files which would serve as a basis for the Bureau's conducting any active investigation. We are precluded from doing this based solely on material from [REDACTED] sources. Further, even if the allegations from these sources could be proven it is doubtful that any prosecution could be sustained because of attendant disclosures which would be required in court proceedings. The most logical action which might be taken would be in the hands of the Department of Justice, the Department of State or the White House and would be in the nature of administrative action rather than prosecutive action.

To sustain such administrative action we could, if the Department requests, [REDACTED]

ACTION:

If approved, we will orally advise Mardian of the results of our analysis of this situation and point out that if the Department requests, [REDACTED]

W&L DS wpm JAM
JG
(OVER.....)

ADDENDUM OF W. B. SOYARS, JR. 7-15-71 WBS:crt

Although this is a highly sensitive matter, I think that we should advise Dr. Kissinger at the White House as well as the Attorney General, in writing, that we are not initiating any investigation and reasons we are precluded from doing so. If the Attorney General and/or Mardian believe it is advisable [redacted] we should be informed specifically as to the basis for the authority, it being noted that under the Presidential powers vested in the Attorney General he can only authorize such [redacted] to protect the Nation against attack, to obtain foreign intelligence information, to protect National security information, to protect against the overthrow of the Government, and any other clear danger to the structure of the Government.

*You should do so only
on request of Dr. J.
not Mardian.*

tk

61. "Sanitized" letter from J. Edgar Hoover, Director, FBI, to Henry A. Kissinger, Assistant to the President for National Security Affairs, dated July 16, 1971

1 - Mr. Sullivan
1 - Mr. Brennan
1 - Mr. Gale

July 16, 1971 1 - Mr. Wannall
 1 - Mr. McDonnell

BY LIAISON

64-330-569

Honorable Henry A. Kissinger
Assistant to the President
for National Security Affairs
The White House
Washington, D. C.

Dear Dr. Kissinger:

There is attached an analysis [REDACTED]

This Bureau has received no information regarding the matters set forth in the attachment from any other source and there is no material in our files which would serve as a basis for any active investigation into the matter. We are, of course, precluded from instituting investigation based solely on material from [REDACTED] sources. If the allegations as set forth in the attachment could be substantiated through investigative activity, it is doubtful that any prosecution could be sustained because of attendant disclosures which would be required in court proceedings.

Information in the attached memorandum is also being made available to the Attorney General. No further action is contemplated by this Bureau.

WRW:ams

(7) [initials]

Sincerely yours,

W.H. ✓ *7-21-71*
SEE NOTE, PAGE 2
cc: [initials]

To whom _____
Felt _____
Sullivan _____
Mohr _____
Bishop _____
McDonnell, C.D. _____
Callahan _____
Casper _____
Felt _____
Dalbey _____
Gale _____
Pender _____
Rosen _____
Tavel _____
Watson _____
Noyars _____
Tel. Room _____
Hollins _____
Gandy _____

Enclosure ID # 17-3111
DELIVERED BY LIAISON
ON 7-21-71

MAIL ROOM TELETYPE UNIT

Honorable Henry A. Kissinger

NOTE:

Classified [redacted] since it refers to matters so
classified by the intelligence element "A"
[redacted]

01-000

62. "Sanitized" memorandum from J. Edgar Hoover, Director, FBI, to John N. Mitchell, Attorney General, dated July 16, 1971

The Attorney General

Director, FBI

July 16, 1971

KOPE? D

- 1 - Mr. Sullivan
- 1 - Mr. Brennan
- 1 - Mr. Gale
- 1 - Mr. Wannall
- 1 - Mr. McDonnell

There is attached an analysis

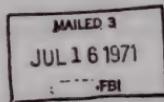
This Bureau has received no information regarding the matters set forth in the attachment from any other source and there is no material in our files which would serve as a basis for any active investigation into the matter. We are, of course, precluded from instituting investigation based solely on material from [redacted] sources. If the allegations as set forth in the attachment could be substantiated through investigative activity, it is doubtful that any prosecution could be sustained because of attendant disclosures which would be required in court proceedings.

Information in the attached memorandum is also being made available to Dr. Kissinger at the White House. No further action is contemplated by this Bureau.

164-330 - 563

Enclosure

WRW:am (8)



REC'D
COT

JUL 30 1971
JUL 19 1971 WBS
X X

Koh?
NOTE: Classified since it refers to matters so
classified by the intelligence element "A"

Toles _____
Felt _____
Sullivan _____
Van _____
Hoover _____
Brennan, C.D. _____
Callahan _____
Casper _____
Conrad _____
Doherty _____
Foster _____
Rosen _____
Tavel _____
Walters _____
Soyars _____
Tele. Room _____
Holmes _____
Gandy _____

MAIL ROOM TELETYPE UNIT INDEXED

[REDACTED]

1 - Mr. Sullivan
1 - Mr. Brennan
1 - Mr. Gale
1 - Mr. Wannall
1 - Mr. McDonnell

July 16, 1971

[REDACTED]

At the request of Assistant Attorney General Robert C. Mardian,
the [REDACTED] intelligence element "A" furnished to this Bureau.

[REDACTED]

A review of these [REDACTED]

[REDACTED]

Our review:

[REDACTED]

also _____
an _____
attress _____
de _____
rehep _____
ressas, C.D. _____
alias _____
exper _____
med _____
slip _____
nder _____
nam _____
avel _____
slur _____
mre _____
rte. Room _____
times _____
body _____

WRW:ams

(8) [REDACTED]

MAIL ROOM TELETYPE

SEE NOTE, PAGE 2

1/20/71
WES
glt
wsl

NOTE:

Original being sent by cover letter to Dr. Henry A. Kissinger at the White House and Xerox copy sent by cover letter to Attorney General.

Classified
classified by the Intelligence element "A"



63. "Sanitized" cover note, dated September 24, 1971, to letters from J. Edgar Hoover to John N. Mitchell and Henry A. Kissinger, dated September 30, 1971

Domestic Intelligence Division

INFORMATIVE NOTE
Date 9/24/71

intelligence element "B" in attached reports information received from a sensitive source that [redacted]

By letters 7/16/71, we furnished Dr. Kissinger, White House and the Attorney General an analysis of intelligence element "A"

intelligence element "B"

A cleared dissemination of attached information to Dr. Kissinger and Attorney General

intelligence element "B" only 9/23/71. A emphasised the sensitivity of the source is such that any inquiries whatsoever based on this information are precluded.

If approved, letters will be sent Dr. Kissinger and the Attorney General setting forth information in attached and the investigative restrictions involved.

WJM:rbb

wjm

OK
& ad

WEDN 9/25/71

V.P.
ws

64. "Sanitized" letter from J. Edgar Hoover, Director, FBI, to John N. Mitchell,
Attorney General, dated September 30, 1971

1 - Mr. Sullivan
1 - Mr. E.S. Miller

The Attorney General

September 30, 1971

Director, FBI

1 - Mr. Wannall
1 - Mr. McDonnell

[REDACTED] DC
64-330-608 S. KORET

Reference is made to my letter dated July 16, 1971, and the
enclosed memorandum captioned [REDACTED]

MAILED 2 SEP 30 1971 FBI
Set forth in the referenced memorandum was this Bureau's
analysis [REDACTED]

Recently, the [REDACTED] intelligence element "B" [REDACTED] advised this
Bureau that [REDACTED]

To whom:
Felt
Sullivan
Mohr
Bishop
Miller, E.S.
Callahan
Casper
Conrad
Dalyer
Cleveland
Fender
Rosen
Shadley
Sullivan
Soyars
Tab. Room
Holmes
Gandy

WJM:ams [REDACTED] 25 " [REDACTED]
K (?) [REDACTED] 1/18 EM wdM D. M. wa [REDACTED]
SEE NOTE, PAGE 2 [REDACTED] (WWD)

MAIL ROOM [REDACTED] TELETYPE UNIT [REDACTED]

[Note regarding appendix C, documents 64, 65, 67, 68, 70 and 71: See Investigation of
Korean-American Relations, Part 4, appendixes 3B through 3G, pages 552 through 557, for
declassified summaries of the information originally contained in the documents which has been
"sanitized" from the copies in this appendix.]

The Attorney General

[intelligence element "B"]
further advised that [redacted]

You were advised in the referenced communication that because of the sensitive nature of the source, active investigation was precluded

[intelligence element "B"]
and no further action was being taken by this Bureau. A has advised that the source of its information is extremely sensitive and such as to preclude any investigation whatsoever, and specifically requested any dissemination of this information be limited to you and Dr. Kissinger at the White House. Dr. Kissinger is being provided with the foregoing information as received from [intelligence element "B"]

In the absence of a specific request from you, no investigation is being conducted in this matter.

NOTE:

[intelligence element "B"]
In view of the caveats by A no copy being designated for the Deputy Attorney General.

[intelligence element "B"]
Information referred to above was contained in A memorandum dated [redacted] captioned [redacted]
[redacted] Mr. [employee of element "B"] advised of the caveats regarding investigation and dissemination on 9/23-24/71.

Classified since it reveals matters so
classified by [intelligence element "A"] [redacted]

65. "Sanitized" letter from J. Edgar Hoover, Director, FBI, to Henry A. Kissinger, Assistant to the President for National Security Affairs, dated September 30, 1971

1 - Mr. Sullivan
1 - Mr. E. S. Miller
1 - Mr. Wannall
1 - Mr. McDonnell

September 30, 1971

BY LIAISON

Honorable Henry A. Kissinger
Assistant to the President
for National Security Affairs
The White House
Washington, D. C.

Dear Dr. Kissinger:

Reference is made to my letter dated July 16, 1971, and the enclosed memorandum captioned [redacted]

S. LORELL

Set forth in the referenced memorandum was this Bureau's analysis [redacted]

OCT 29 1971

1207 PFCRRC advised this

Recently, the [intelligence element "B"] Bureau that a sensitive source

E1 WdM Q See Note, Page 2

WJM:ams
(6) [initials]

7

DELIBERATED BY LIAISON
ON 10/29/71 TELETYPE UNIT

INDEXED

Honorable Henry A. Kissinger

[redacted]
intelligence element "B"

A further advised that, [redacted]

You were advised in the referenced communication that because of the sensitive nature of the source, active investigation was precluded

[intelligence element "B"]
and no further action was being taken by this Bureau. A has advised that the source of its information is extremely sensitive and such as to preclude any investigation whatsoever, and specifically requested any dissemination of this information be limited to you and the Attorney General. The Attorney General is being provided with the foregoing information as received from [intelligence element "B"]

Sincerely yours,

NOTE:

Information referred to above was contained in [intelligence element "B"]
dated (deleted) memorandum
captioned [redacted]
Mr. [employee of element "B"] advised of the caveats
regarding investigation and dissemination on 9/23-24/71.

Classified [redacted]
so classified by [intelligence element "A"] [redacted]

66. "Sanitized" memorandum from W. R. Wannall to E. S. Miller, dated November 23, 1971

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA GEN. REG. NO. 27
UNITED STATES GOVERNMENT

5010-106

Memorandum

TO : Mr. E. S. Miller [redacted]

FROM : W. R. Wannall [redacted]

SUBJECT: [redacted]

- 1 - Mr. A. Rosen
 1 - Mr. C. W. Bates
 1 - Mr. E. S. Miller
 DATE: 11/23/71
 1 - Mr. W. R. Wannall
 1 - Mr. W. J. McDonnell

Tolson _____
 Felt _____
 Bishop _____
 DeLoach _____
 [initials] Miller [initials]
 Callahan _____
 Casper _____
 Conrad _____
 Daugherty _____
 Cleveland _____
 Fender _____
 Hanes _____
 Tavel _____
 Walters _____
 Beirne _____
 Tele. Room _____
 Holmes _____
 Gandy _____

Attached, for approval, are letters to Dr. Henry A. Kissinger, The White House, and the Attorney General (AG), setting forth allegations provided by a [intelligence element "B"] source regarding [redacted]

[intelligence element "B"] memorandum (attached) sets forth information [redacted]

Dr. Kissinger and the AG have been previously advised [redacted] Bureau letter, 7/16/71, set forth information [redacted]

Enclosures - 2 [redacted] 11-28-71

+ 64-360

650

(6)

CONTINUED - OVER

NOT RECORDED

DEC 16 1971

UNINDEXED

VAT. [redacted] SPDC.

Memorandum to Mr. E. S. Miller
Re: [REDACTED]

[REDACTED]
On 11/19/71, [REDACTED] employee of intelligence element "B" [REDACTED] intelligence element "B" in response to our inquiry, advised that [REDACTED] source is of such sensitivity that no action whatsoever can be taken on the basis of his information and restricted dissemination to Dr. Kissinger and the AG, only.

[REDACTED]
Accordingly, as in our previous communications, Dr. Kissinger and the AG are being advised in the attached that because of the restrictions imposed, we are taking no investigative actions.

ACTION:

If approved, the attached letters to Dr. Kissinger, The White House and the AG, should be sent.

DEM SPK R EII WJM SP/SG-10
P AWP ✓ U ✓ CTK TSO
PAW ✓ WBS DSD AM ✓

67. "Sanitized" letter from J. Edgar Hoover, Director, FBI, to Henry A. Kissinger, Assistant to the President for National Security Affairs, dated November 24, 1971

1 - Mr. A. Rosen
 1 - Mr. C. W. Bates
 1 - Mr. E. S. Miller
 1 - Mr. W. R. Wannall
 1 - Mr. W. J. McDonnell

November 24, 1971

BY LIAISON

Honorable Henry A. Kissinger
 Assistant to the President
 for National Security Affairs
 The White House
 Washington, D. C.

DELIVERED BY LIAISON
 ON 11/26/71
 H-S

Dear Dr. Kissinger:

Reference is made to my letters dated July 16 and September 30, 1971, concerning [redacted]

Recently the [intelligence element "B"] advised this Bureau/ [redacted]

To whom _____
 Felt _____
 Rosen _____
 Mohr _____
 Bishop _____
 Mohr E.S. _____
 Callahan _____
 Taylor _____
 Conrad _____
 Dalton _____
 Cleveland _____
 Pender _____
 Bates _____
 Tavel _____

 Holmes _____

WJM:co CO
 (7)

CONTINUE ON PAGE TWO

*SD/6Cn

WBS CWS/12 EM X WJL/R CT'S DEM FJT GHT DJM

Honorable Henry A. Kissinger

[intelligence element "B"]

's source [redacted]

[intelligence element "B"]
[redacted]
[intelligence element "B"] has advised that the source of the above information is extremely sensitive and such as to preclude any investigation whatsoever on the basis of the information

[intelligence element "B"]
furnished. [redacted] has specifically requested that any dissemination of this information be limited to you and the Attorney General, only. In view of these restrictions, this Bureau is initiating no investigation in this matter.

The Attorney General is being provided the foregoing information.

Sincerely yours,

NOTE:

See memorandum W. R. Wannall to Mr. E. S. Miller,
dated 11/23/71, captioned [redacted]
[redacted] prepared by WJA:co.

Classified [redacted] since it refers to matters
so classified by [intelligence element "B"]

The Attorney General

S. KOKER
DC

[intelligence element "B"]
[intelligence element "B" SOURCE]

[intelligence element "B"]
[intelligence element "B" has advised that]

[intelligence element "B"]
[intelligence element "B" has specifically requested that any dissemination of this information be limited to you and Dr. Kissinger, only. In view of these restrictions, this Bureau is initiating no investigation in this matter.

Dr. Kissinger at The White House is being provided with the foregoing information.

NOTE:

See memorandum W. R. Wannall to Mr. E. S. Miller,
dated 11/23/71, captioned [redacted]

No copy being designated for The Deputy Attorney General in view of restriction.

Classified [redacted] since it refers to matters so classified by [intelligence element "B"]

69. "Sanitized" memorandum from W. R. Wannall to E. S. Miller, dated February 2, 1972

OPTIONAL FORM HD-10
MAY 1963 EDITION
GSA GEN. REG. NO. 27
 GSA
UNITED STATES GOVERNMENT

Memorandum

TO : Mr. E. S. Miller
FROM : Mr. W. R. Wannall
SUBJECT:

1 - Mr. A. Rosen
1 - Mr. C.W. Bates
DATE: 2/2/72

1 - Mr. E.S. Miller
1 - Mr. W.R. Wannall
1 - Mr. W.J. McDonnell

Attached for approval are letters to Dr. Henry A. Kissinger, the White House, and the Attorney General (AG) setting forth information received from the [intelligence element "B"] regarding

Intelligence element B memorandum (attached) sets forth information received A

This is a heavily damaged black-and-white photograph. A large, jagged tear runs vertically along the left edge. In the upper portion of the image, the word "RECEIVED" is printed in a small, faint font. On the right side, there is more damage, including a large tear at the top and several horizontal marks or scratches running across the surface.

Dr. Kissinger and the AG have been previously advised of

Enclosures ~~sent~~ 2-3-72.

WJM:at
(6)

CONTINUED - OVER

INDEXED

164-230 600
NOT RECORDED
FEB 14 1972

Memorandum to Mr. E. S. Miller

Re: [REDACTED]

Mr. [REDACTED] Employee of intelligence element "B" in response to our inquiry, has previously advised that the above-mentioned source is of such sensitivity that no action whatsoever can be taken on the basis of his information and restricted dissemination to Dr. Kissinger and the AG only.

[REDACTED]
As previously reported
[REDACTED]

[REDACTED]
Dr. Kissinger and the AG are being advised in the attached that because of the restrictions imposed, we are initiating no investigative actions.

ACTION:

If approved, the attached letter to Dr. Kissinger, the White House, and the AG should be forwarded.

u(b)
OK
EM/s ✓
R
WJM AD5
DEM/6cm
K WBS

70. "Sanitized" letter from J. Edgar Hoover, Director, FBI, to Henry A. Kissinger, Assistant to the President for National Security Affairs, dated February 3, 1972

ROUTE IN ENVELOPE

1 - Mr. A. Rosen
1 - Mr. C. W. Bates
1 - Mr. E. S. Miller
1 - Mr. W. R. Wannall
1 - Mr. W. J. McDonnell
February 1, 1972

BY LIAISON

Honorable Henry A. Kissinger
Assistant to the President
for National Security Affairs
The White House
Washington, D. C.

Dear Dr. Kissinger:

Reference is made to my letter dated November 24, 1971, and my earlier letters concerning

Recently the [intelligence element "B"] advised this Bureau

NJM:at
(7)

SEE NOTE PAGE TWO

Miss — THE MOON

TELETYPE INIT

BLACK GOURD

Honorable Henry A. Kissinger

[Redacted]
[Intelligence element "B"]
[A] has advised that the source of the above information is extremely sensitive and such as to preclude any investigation whatsoever on the basis of the information furnished. [Intelligence element "B"] has specifically requested that any dissemination of this information be limited to you and the Attorney General, only. In view of these restrictions, this Bureau is initiating no investigation in this matter or the related matters previously reported to you.

The Attorney General is being provided the foregoing information.

Sincerely yours,

NOTE:

See memorandum Mr. W. F. Marshall to Mr. E. C. Miller dated 2/2/72 captioned [Redacted]

[Redacted] APPROVED BY MR. MILLER

Classified [Redacted] since it refers to matters so classified by [Intelligence element "B"]

71. "Sanitized" letter from J. Edgar Hoover to John N. Mitchell, Attorney General, dated February 3, 1972

ROUTE IN ENVELOPE

The Attorney General

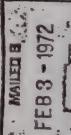
February 3, 1972

Director, FBI

1 - Mr. W. R. Wannall
1 - Mr. W. J. McDonnell

Reference is made to my letter dated November 24, 1971, and my earlier letters to you concerning [REDACTED]

Recently the [REDACTED] intelligence element "B" advised this Bureau /



[REDACTED]
intelligence element "B" has advised that the source of the above information is extremely sensitive and such as to preclude

r. Tolson
 r. Felt
 r. Rosen
 r. Mohr
 r. Bishop
 r. Hillman, E.S.
 r. Callahan
 r. Casper
 r. Conrad
 r. Dailey
 r. O'Donnell
 r. Pender
 r. Bates
 r. Walker
 r. Walters
 r. Boyars
 r. Higginson
 r. Holmes
 r. Gandy

MAIL ROOM TELETYPE UNIT INDEXED

SEE NOTE PAGE TWO

EMS WBS DEXX
64-330-7
MAR 6 1972
NOT RECORDED

[REDACTED]

The Attorney General

any investigation whatsoever on the basis of the information furnished. [REDACTED] has specifically requested that any dissemination of this information be limited to you and Dr. Kissinger at the White House, only. In view of these restrictions, this Bureau is initiating no investigation in this matter or the related matters previously reported to you.

Dr. Kissinger at the White House is being provided with the foregoing information.

NOTE:

See memorandum "Mr. W. F. Marshall to Mr. F. S. Miller dated 2/7/72 captioned [REDACTED]

[REDACTED] prepared by [REDACTED]

No copy being designated for the Deputy Attorney General in view of restriction [REDACTED]
Intelligence element "B"

Classified [REDACTED] since it refers to matters so classified by [REDACTED] Intelligence element "B".

72. "Sanitized" memorandum from A. Sidney Buford III, Department of State, to Bernard C. Rachner, FBI, dated June 28, 1973



DEPARTMENT OF STATE
Washington, D.C. 20530

MEMORANDUM

June 28, 1973

TO : FEDERAL BUREAU OF INVESTIGATION

ATTENTION: Mr. Bernard C. Rachner
Domestic Intelligence Division

FROM : A. Sidney Buford III *ABB*
Director, Office of Intelligence Liaison
Bureau of Intelligence and Research

SUBJECT : Activities by ROK CIA in the U. S.

The enclosed request is self-explanatory. We would appreciate it very much if the FBI could take action in its direction.

Attachment:

As stated.

REC-73

ST-101

N 05-247904-1

N 105-
ST-101
Republic of Korea (ROK) Intelligence
Activities in the United States
JUL 19 1973

5-1000

ENCLOSURE

UNITED STATES GOVERNMENT

Memorandum

TO : INR/OIL - Mr. Sidney A. Buford III

DATE: June 25, 1973

FROM : EA/K - Donald L. Ranard

SUBJECT: Request for FBI Investigation of Activities by ROK
CIA in the U.S.

As you know, I have had discussions with our SY people as well as with the FBI liaison representative regarding the activities of the Korean CIA in the U.S. as alleged in the Washington Post story of June 7. Reports of such activities have also come to me from [REDACTED]

As I mentioned to you earlier, I believe [REDACTED] allegations are serious enough to warrant an appropriate investigation by our FBI. I would appreciate your taking the necessary steps to set this in process.

EA/K:DLRanard:smk

105-247304

ENCLOSURE

73. FBI memorandum entitled "Republic of Korea (ROK) Intelligence Activities in United States," dated September 4, 1973



In Reply, Please Refer to
File No.

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

Washington, D.C. 20535

September 4, 1973

REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES
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The following article by columnist Crosby S. Noyes appeared in the April 3, 1973, edition of the Washington Star - News, a daily newspaper published in Washington, D.C. (WDC):

"Critics Here See Park's Regime Sinking"

"South Koreans here, opposed to the dictatorial regime of President Park Chung Hee, are expressing increasing confidence that Park is in serious trouble and that his overthrow is imminent. South Korea

"The recent dismissal and arrest of the commander of the commander of the Capital Garrison, Maj. Gen. Yun Pil Young, are being read as evidence of dangerous internal instability within the Park regime. The commander of the 40,000 troops stationed in and around the Seoul area had been considered one of the president's closest associates and most ardent supporters. He also is regarded as an important power in the army in his own right.

"No explanation has been given for Yun's abrupt dismissal on March 10. Even the fact of his arrest, along with many of his associates, has never been reported in the closely restricted Korean press. The interpretation of Park's opponents here, however, is that it reflects a deep disaffection with the regime within the top army command, which is, in the final analysis, the ultimate source of political power in South Korea.

Classified by Gerald B. Nolan.
Exempt from GDS, Category 2.
Declassified on Indefinite.

905-247904-5
ENCLOSURE

REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES
IN UNITED STATES

"Admittedly, there is at least a certain element of wishful thinking among this dissident group of Washington-based Korea-watchers. One of its chief spokesmen is Kim Dae Jung, who ran unsuccessfully against Park in 1971 and who has spent much of his time since then in precarious exile.

"In Seoul, the general interpretation of recent events is that Park is still consolidating his virtually unlimited powers acquired last Oct. 17 with the declaration of martial law. There followed the proclamation of a series of "revitalizing reform" aimed at abolishing the direct election of the president, perpetuating him in office and eliminating any restraints from the legislative branch.

"To most observers on the scene, it has appeared that Park has succeeded in eliminating potential rivals to his undisputed authority such as Gen. Yun. Backed by the highly efficient Korean Central Intelligence agency, he is generally believed to be solidly ensconced in power.

"His critics, however, point to other evidence of crisis within the Seoul government. South Korea, they maintain, is becoming increasingly isolated on the Asian scene and is running into growing difficulties with the United States over continued aid and military support because of the authoritarian character of the Park regime. A recent report to the Senate Foreign Relations Committee, sharply critical of conditions within South Korea and calling for a thorough re-examination of basic policy assumptions by the United States, is cited as a case in point.

"It is argued, furthermore, that the Seoul regime has become increasingly estranged from the people of the country, as shown by the results of the latest national assembly election. According to Kim Dae Jung "The Park regime resorted to all sorts of illegal tactics and staged an authoritarian election, but was able to gain only 38 percent of the total ballots cast, compared to 52 percent it received in 1971."

V.O.

D.C.

REPUBLIC OF KOREA (ROK)
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"Adding to the government's difficulties, it is said, is an abrupt slowdown in South Korea's spectacular record of economic growth over the last decade. The overexpansion of certain industries, combined with a continuing high rate of inflation, increasing restraints on bank lending and governmental restriction of imports, have produced acute shortages in several areas of the economy, including food supplies.

"The talks with North Korea, aimed at improving relations and perhaps even the ultimate reunification of the country, also are going badly, it is reported. Ironically enough, these negotiations were used as the principal justification for Park's seizure of power, in order, as he put it, to suppress "factional strife and discord" in South Korea.

"According to his critics, Park, having now achieved dictatorial powers, is determined to sabotage the talks which are being conducted by CIA director Lee Hu Rak. If the negotiations should collapse, it is believed that the power and prestige of still another potential rival to the president would be sharply diminished.

"Members of the dissident group of Koreans here do not pretend to know from what direction a move to overthrow the Park regime might come or exactly what the consequences might be. They are convinced, however, that the president has alienated enough powerful elements in the ruling hierarchy to make his own position highly insecure. They are hopeful that his removal from power would result in a restoration of democratic liberties in South Korea.

"It is suggested, furthermore, that the United States can and should play a critical role in producing such a result - preferably in cooperation with Japan. If the governments in Washington and Tokyo were to threaten withdrawal of aid and military support, they argue, Park's regime would collapse virtually overnight. Which, from their point of view, would be a consummation devoutly to be wished."

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On August 21, 1973, Keun Pal LEE, Executive Secretary, Center for East Asian Studies, suite 435, 4301 Connecticut Street, N.W., Washington, D.C. (WDC), furnished the following information to Special Agents of the Federal Bureau of Investigation.

The center for East Asian Studies was set up by KIM Dae Jung following KIM's unsuccessful election bid against South Korean President, PARK Chung Hee in 1971. The center is funded primarily by an individual in Japan whose identity is unknown to LEE and by other individuals throughout the world who are sympathetic to KIM's cause.

LEE, who currently resides at 1555 South 28th Street, in Arlington, Virginia, serves as KIM's Personal Secretary. LEE has been in the United States since March, 1967, having served as a Second Secretary at the Korean Embassy, 2300 Massachusetts Street, N.W., WDC, from March, 1967, to April, 1970, at which time he resigned for personal reasons.

The February, 1969, "Diplomatic List", an official publication of the United States Department of State, WDC, identifies Keun Pal LEE, 1555 South 28th Street Arlington, Virginia, as Second Secretary and Consul, Embassy of Korea, 2300 Massachusetts Street, N.W., WDC.

LEE stated that his application for permanent residence in the United States has been approved by United States Immigration and Naturalization Service, WDC.

Since KIM's recent kidnaping in Japan, during August, 1973, LEE serves as Executive Secretary of the Korean American Citizens Committee for the Protection of KIM Dae Jung. Reverend Byung Kook AHN, a United States citizen is chairman of this committee.

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Based purely on circumstantial evidence and mere speculation, LEE stated that he is thoroughly convinced that the kidnaping of KIM Dae Jung was perpetrated by Agents of the Korean Central Intelligence Agency (KCIA), under the leadership of the following individuals from the Korean Embassy, WDC, who are identified by LEE as KCIA Agents.

Sang Ho LEE, also known as Doo Won YANG, identified as the Chief of KCIA in the United States, a retired brigadier general in the Korean Marine Corps, served as Chief of KCIA during his assignment at the Korean Embassy, Bonn, Germany, in 1967. While serving in Bonn, Sang Ho LEE was allegedly responsible for the kidnaping of seventeen Korean students and artists in Germany and effecting their return to Korea. Through this, according to Keun Pal LEE, Sang Ho LEE had the necessary background to be involved in the kidnaping of KIM Dae Jung. Additionally, sources advised Keun Pal LEE that Sang Ho LEE was out of the United States during the pertinent period, it having been determined that Sang Ho LEE departed for the Far East on or about July 26, 1973, and returned to the United States on August 11, 1973.

The "Diplomatic List" for May, 1973 lists one Sang Ho LEE, Minister, 608 North Garland Street, Arlington, Virginia, Embassy of Korea, WDC.

Hong Tae CHOI, Consular, according to Keun Pal LEE, is second in line to Sang Ho LEE in the KCIA in the United States. CHOI allegedly departed from the WDC area on July 10, 1973, for Los Angeles, where KIM Dae Jung had a speaking engagement. From Los Angeles, CHOI departed for Korea for consultation with his Government and returned via Hawaii to WDC on August 11, 1973.

The "Diplomatic List" for May, 1973, lists Hong Tae CHOI, 6307 N 31st Street, Arlington, Virginia, as Consular, Embassy of Korea, WDC.

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Chung Il PARK and Sang Keun KIM, both identified by Keun Pal LEE as working for Sang Ho LEE. PARK, reportedly also left the WDC area on July 10, 1973, although he did not accompany CHOI on the same plane. KIM was not out of the United States during the KIM Dae Jung's kidnaping.

The "Diplomatic List" for May, 1973, lists Chung Il PARK as Second Secretary, Embassy of Korea, WDC, and Sang Keun KIM as First Secretary, Embassy of Korea, WDC.

According to Keun Pal LEE, Colonel Kyuik LIM, Assistant Military Attaché, assigned to the Defense Minister's Office, Embassy of Korea, WDC, is the only known military officer assigned to work for Sang Ho LEE and the KCIA. LIM departed the WDC area on July 26, 1973 with Sang Ho LEE and also returned on August 11, 1973. D.C.

The "Diplomatic List" for May, 1973, lists Colonel Kyuik LIM as Assistant Military Attaché, Embassy of Korea, WDC.

Outside the WDC area, Young Chul CHOO, Consul, Korean Mission to the United Nations, New York, New York, In Dok SON (SOHN), Office of Korean Counsul, New York, New York, and Vice Consul Young Sik BAE, Office of the Korean Consulate General, Los Angeles, California, have also been identified to Keun Pal LEE as Agents of KCIA. CHOO and SON were known to have departed their respective posts in New York at the end of July, 1973, though their destinations were unknown. It is known that BAE remained in Los Angeles.

Concerning the non-diplomatic personnel who may have been working on behalf of KCIA in the United States, referred to as "stringers" by Keun Pal LEE, Keun Pal LEE stated that

**REPUBLIC OF KOREA (ROK)
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he felt the incident in San Francisco, in May, 1973, was enough proof to him that Min Hwie LEE could be categorized as a "stringer."

During the course of a rally for KIM Dae Jung, sponsored by Korean students at the University of California, Berkeley, California and held in San Francisco, California, Min Hwie LEE led a dissident group of about ten individuals. Upon entering the hall where the rally was held, guards confiscated bottles of ketchup and cartons of eggs which the dissident group attempted to carry into the hall. These items were confiscated by security guards at the hall; however, the dissidents were allowed to enter. Min Hwie LEE subsequently disrupted the rally and was allegedly arrested by the San Francisco Police Department, who were called in by the security guards. Young Bik BAE, the Korean Vice Consul from Los Angeles was in attendance and utilizing his diplomatic status, approached the officers of the San Francisco Police Department and interceded for the release of Min Hwie LEE, which was accomplished. This incident, according to Keun Pal LEE, indicated that the KCIA was using non-diplomatic personnel for their purposes of harassment.

Min Hwie LEE, a karate expert from San Francisco, along with two other karate experts, Man Shin LEE, a student at the University of San Francisco, San Francisco, California, and Moo Ryang CHCO, from the Wha Rang Karate Institute, San Francisco, California, also departed the United States for the Far East and Korea in late July, 1973, and was believed by Keun Pal LEE to have been involved in the KIM kidnaping.

Keun Pal LEE emphasized that his belief concerning individuals involved in the kidnaping of KIM is based solely on speculation and travels of individuals referred to above.

During the course of a meeting of Christian Scholars held in St. Louis in April, 1973, Dr. Wommo DONG, from Southern Methodist University, Dallas, Texas, chairman of the meeting, announced that he had received a telephone call from New York instructing him to stand by for a long distance call from

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Seoul, Korea at 10 p.m., April 15, 1973. Dr. DCNG left the meeting to await the call from Korea which never materialized.

According to Keun Pal LEE, In-Kok SON, referred to above, called the home of Dr. Wi-Jo KANG in St. Louis, Missouri, requesting to talk to Dr. DCNG. When SON was advised that Dr. DONG was not immediately available, SON stated that Kap Chul KIM, Deputy Director of the Eighth Bureau of KCIA Headquarters, Seoul, Korea wished to speak to Dr. DCNG and Dr. DCNG should await the 10 p.m. call at the public telephone booth at the hall where the meeting was being held. Inasmuch as Dr. DCNG was to be the principal speaker at the evening meeting on April 15, 1973, Dr. DONG felt that this attempt to contact him was a form of KCIA harassment.

A spokesman for the Korean Embassy, WDC, subsequently during the course of a press conference, stated that the attempted call by Kap Chul KIM was merely a social call, it being noted that KIM and Dr. DONG were classmates some fifteen years ago. Dr. DCNG totally discounted this inasmuch as he has had no contact with KIM for many years.

Keun Pal LEE noted that local Koreans, such as the President of the local Korean community, Mr. LEE and Young Hoon KANG, a retired Korean General, are known to cooperate with Korean Embassy officials; however, Keun Pal LEE is not aware of anyone in the WDC area who might have been referred to as KCIA "stringers." Keun Pal LEE further advised that though he, himself remains alert and concerned about any possible harassment, he has not been an object of such action and he is not aware of the identity of anyone in this area who is being harassed by the KCIA.

74. FBI memorandum entitled "Republic of Korea (ROK) Intelligence Activities in the United States," dated September 9, 1973



In Reply, Please Refer to
File No.

UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

San Francisco, California

September 9, 1973

REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES
IN THE UNITED STATES

All information in this communication is unclassified unless otherwise indicated.

The following are results of investigation conducted at San Francisco, California based on allegations that South Korean intelligence agents stationed in the United States have been engaging in a program of harassment and serious intimidation against Koreans living in this country.

On May 18, 1973, KIM DAE-JUNG, the leader of the South Korean opposition party, gave a speech at the International Center, 50 Oak Street, San Francisco, California. The "San Francisco Chronicle", a San Francisco newspaper, printed an article regarding this incident. A copy of this article entitled, "Korea Exile Leader Sees Fall of Park" is being entered as an appendix to this memorandum.

On August 17, 1973 the "San Francisco Chronicle" printed an article entitled, "South Korea Spies in U.S." by DAVID BINDER, "New York Times". This article dealt specifically with the harassment of Koreans currently residing in the United States. A copy of this article is also being entered as an appendix to this memorandum.

4024

June 28, 1978

CLASSIFIED BY BRENT T. PALMER
EXEMPT FROM GDS, CATEGORY 2
DATE OF DECLASSIFICATION: INDEFINITE

This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

105-247921-7

ENCLOSURE

REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES
IN THE UNITED STATES

On August 28, 1973 SF T-1, an individual knowledgeable in the activities of the Korean Community in the San Francisco area was contacted by Special Agents of the Federal Bureau of Investigation (FBI). SF T-1 made reference to the incident that occurred during the speech of KIM DAE-JUNG at the International Center, 50-Oak-Street, San Francisco on May 18, 1973. SF T-1 stated that prior to KIM's speech containers of ketchup and eggs were discovered and exhibited to the audience. This exhibition alerted the audience to a possible incident as it appeared that the ketchup and eggs were to be used to harass the speaker. KIM then began his speech and was interrupted by one RHEE MIN-HI, also known as LEE MIN-HI, who took a position at the podium and would not relinquish it. Police officers were summoned and upon their arrival a representative of the Korean Consulate in Los Angeles met them and exhibited a card which showed his diplomatic status. This individual who SF T-1 knows as BAE then advised the police officers that there was no need for their assistance. The officers left and RHEE continued to cause a disturbance which caused the police to return and remove him from the premises. SF T-1 advised that RHEE has a bad reputation in the Korean Community and that he has a number of men that assist him in his activities. During the evening of May 18, 1973, the followers of RHEE stationed themselves outside the International Center to discourage Koreans from attending the gathering. This resulted in the audience being made-up mainly of older Korean residents of the United States whose ties with the ROK were not as strong. SF T-1 stated that young people were noticeably missing from the audience. SF T-1 further advised that BAE had brought a photographer with him from Los Angeles and that this individual was observed photographing the audience. (C)

SF T-1 advised that the Korean Consulate in San Francisco has recently instituted a new program which appears to be directed toward gaining a tight control over Korean aliens in the San Francisco Bay area. This new program requires that all Korean aliens in the Bay Area register in person with the Consulate. This makes it necessary for people to leave their jobs to report to the Consulate where they are made to wait before they register. This program also gives the Consulate staff an opportunity to make direct contact with the aliens. As proof of registration, the Consulate issues a card. It was stated by SF T-1 that the Consulate would not provide services for aliens that did not have a card, one

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of which would be renewal of passports. This registration program is believed to be limited to the Koreans of the San Francisco area only as it is still in the experimental stage. (C)

SF T-1 further advised that the ROK Government in an effort to protect its image in foreign countries has had people in Korea write letters to relatives in the United States. SF T-1 stated that people have received letters from relatives in Korea requesting that they cease any activity, verbal or otherwise, against the ROK Government. It is his belief that these letters were dictated to the relatives. SF T-1 also advised that people have received threats through the use of the telephone in the form of advice. SF T-1 personally received a call advising him that he should "stay healthy". (C)

SF T-1, when questioned concerning the ROK Central Intelligence Agency (CIA) advised that it is believed among the Koreans that an individual by the name of AI is an agent of the ROK CIA. This individual currently has an office in the Embarcadero Center, San Francisco, and refers to himself simply as a businessman. SF T-1 has heard that AI has been observed making money payments to certain members of the Korean Community. SF T-1 further stated regarding AI, that while he has an office, he is never there. AI recently came to this country from Hong Kong, BCC. (C)

SF T-1 also feels that RHEE MIN-HI is being operated by the ROK CIA. SF T-1 advised that RHEE within the past three years was awarded one of the highest medals of the ROK Government for his services to the Korean Community in the United States. SF T-1 added that RHEE went on a trip during the approximate time of KIM DAE-JUNG's abduction in Tokyo, Japan. (C)

SF T-1 advised that the Korean Trade Promotions Company in San Francisco may be an operation of the ROK CIA. This company is located in the Embarcadero Center, San Francisco. SF T-1 advised that an individual by the name of YOON was once the director of this company. YOON has since been transferred to the New York Office of the company. YOON keeps close contact with the ROK Government and at one time was the bodyguard of President PARK CHUNG HEE. SF T-1 advised that YOON went on a trip to Korea during the approximate time of KIM's abduction in Tokyo, Japan. (C)

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On August 29, 1973, SF T-2, a person who is in a position of respect in the Korean Community of San Francisco, was contacted by Special Agents of the FBI. SF T-2 advised that Koreans are being "harassed" on a world-wide basis by the ROK Government. SF T-2 states that this "harassment" was not wide spread until approximately five years ago. The Korean Community currently lives in an atmosphere of fear of the regime. Even communication with the people of Korea has become difficult in the past year. (C)

In 1971, SF T-2 was instrumental in the organizing of an organization called the "Bay Area Korean Alien Association". It was organized to assist incoming Koreans to adjust to their new environment. Last year this organization changed its name to the "Korean Resident Association" and is currently highly infiltrated by people associated with the ROK CIA. (C)

SF T-2 also advised that the Korean Churches in California are being split to eliminate a united Korean group. SF T-2 advised that the number of churches have gone from approximately eight to approximately 120. (C)

SF T-2 advised that the ROK Government is operating a net of informants that work through the Consulate. The information that is received from the informants is forwarded to Korea where the result in many situations would be a letter from a relative in Korea to an individual in the United States. (C)

SF T-2 related an incident which occurred in San Francisco in December of 1972. SF T-2 was personally involved in this incident. In December of 1972, one CHUNG KI-YONG, an editor of the Korean-American newspaper in Washington, D.C. visited San Francisco. CHUNG who is known to be against the current regime in Korea planned to present a lecture at the Korean Methodist Church, 1123 Powell Street, San Francisco. The lecture was set for 8:00 PM on a certain night and by 12:00 AM that same evening there was still no one in attendance. SF T-2 began a search for CHUNG the next morning and could not locate CHUNG anywhere in San Francisco. In desperation the Korean Consulate was queried as to CHUNG's whereabouts. After a one-half hour wait, Consul KIM recontacted SF T-2 and advised

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IN THE UNITED STATES

that CHUNG was safe somewhere in San Francisco. KIM advised that CHUNG went drinking the night before and for that reason did not make his appointment at the church. SF T-2 believes that CHUNG was taken to the bars against his will. On that same evening, certain individuals stationed themselves in the vicinity of the church to discourage people from attending the affair. (C)

*ALIF
S. KOREA*

SF T-2 advised that he leader of the group in San Francisco that is causing all the trouble is one RHEE MIN-KI. RHEE is approximately forty years old and is the director of the Korean Karate School at 712 Polk Street, San Francisco. RHEE very often goes to meet officials of the ROK Government when they visit San Francisco. SF T-2 has observed RHEE at the Korean Consulate on many occasions. RHEE has been in the past the president of the Korean Resident Association and in 1971 or 1972 he went to Korea and received a medal for his contribution to the Korean People in the San Francisco area. SF T-2 advised that RHEE does a lot of traveling and that he left the country during the approximate time of KIM DAE-JUNG's abduction in Tokyo, Japan. About ten days prior to this RHEE met with one KIM BONG-KYUN, Director of Information for the Korean National Police. The meeting took place in San Francisco. RHEE received free travel tickets for his recent trip from the New Korea Travel Service, 150 Powell Street, San Francisco. RHEE has also received free tickets in the past from the Korean World Tourist Association, 391 Sutter Street, Number 715, San Francisco. SF T-2 stated that RHEE has been an agent of the ROK CIA in the past and that he first came to the United States in the 1950s and returned to Korea in the early 1960s. SF T-1 stated that he does not know any more as to the whereabouts of RHEE except that he has been residing in San Francisco for approximately the last four years. (C)

SF T-2 advised that RHEE has an associate by the name of LEE MAN-SING who is a student at the California State University at San Francisco. LEE is active in the activities of Korean Students in Northern California. LEE has received free travel tickets from the Seoul Travel Associates, 4444 Geary Boulevard, San Francisco. SF T-1 added that LEE was out of town at the same time that RHEE was absent from San Francisco. (C)

REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES
IN THE UNITED STATES

It is the belief of SF T-2 that RHEE and his associates are being directed by Consul KIM DONG-JIN of the Korean Consulate, San Francisco. It is believed that KIM is in charge of either Korean residents or businesses in the United States. (C)

In regards to threatening phone calls, SF T-2 stated that the previously mentioned CHUNG KI-YONG has been the recipient of one. The phone call in essence stated that CHUNG could be made to disappear without anyone ever noticing it. (CY)

CR LIT.

SF T-2 advised that one GEORGE S.K. AI has been alleged to be an operative of the ROK CIA. This individual resides at 2919 Lake Street, San Francisco. He arrived in the United States approximately one year ago from Hong Kong, BCC. SF T-2 stated that AI served in the ROK CIA during the same period as RHEE during the early years of the 1960s. He later went to Hong Kong to operate a travel agency. He currently has an office in the Embarcadero Center, San Francisco and appears to be rich. SF T-2 advised that it is common knowledge that Korean businesses cannot operate in Hong Kong without the approval of the ROK CIA. AI recently traveled to Los Angeles with the Korean Consul General to meet Premier KIM of the ROK. (C)

75. FBI memorandum entitled "Republic of Korea (ROK) Intelligence Activities in the United States," dated September 14, 1973



In Reply, Please Refer to
File No.

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

New York, New York

SEP 14 1973

Republic of Korea (ROK) Intelligence Activities In The United States

An article appeared in the "Washington Post" newspaper, published in Washington, D. C., on June 7, 1973, entitled "S. Korea Aide Defects Here," which indicated that several South Korean diplomatic officials stationed in the United States have elected to remain in the United States rather than return to South Korea. It also indicated that South Korean intelligence operatives in the United States engage in surveillance and intimidation of ethnic Koreans residing in this country.

Information obtained from the United States Department of State, in June, 1973, indicates that South Korean diplomat KIM Yong-ho of New York City (NYC), after being notified of his transfer back to Seoul, Korea, indicated he would stay indefinitely in the United States rather than return to Korea.

Records of the New York Office (NYO) of the Federal Bureau of Investigation (FBI) contain no information identifiable with KIM Yong-ho.

Records of the Credit Bureau of Greater New York, the New York City Police Department, and the United States Immigration and Naturalization Service, New York City, were caused to be checked and were found to reflect no information identifiable with KIM Yong-ho.

The 1972-1973 edition of the Register of the Society of Foreign Consuls in NYC indicates that KIM Yong-ho is Information Consul at the Republic of Korea Consulate in NYC. He resides at 165 East 88th Street, NYC, and has telephone number 369-6647. *New York, NY 10028*

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105-247104-8
RECORDED

Republic of Korea (ROK) Intelligence Activities in the United States

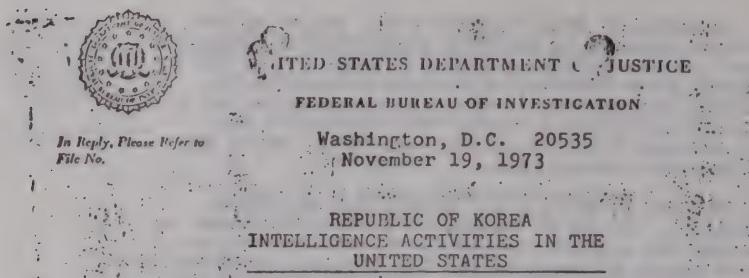
Attached to this memorandum are copies of two articles which appeared in the "New York Times" concerning this matter. In the article entitled "Threat to Koreans in U. S. By Seoul Stirs Concern," reference is made to the Korean Consul, Gin Duk Son, in NYC, who is described as a Korean Central Intelligence Agency (CIA) operative who reportedly followed Korean protestors in NYC on April 29, 1973, and had them photographed.

On June 8, 1973, SOHN In-duk, Consul, South Korean Consulate, 720 Fifth Avenue, NYC, was interviewed on another matter and advised that he is the officer at the Consulate in charge of security for ROK citizens residing in the NYC area. He is a retired Colonel in the ROK Army and has been in the NYC area for two years. He previously served in the ROK Embassy in Washington, D. C. During the latter part of April, 1973, a group of approximately 70 dissenters against President PAK Chong-hui of the ROK demonstrated in NYC. The leader of this group was KIM Tae-chong, a former candidate for the Presidency of South Korea and a leader of the opposition party to PAK Chong-hui. This demonstration was not Communist or leftist in any way. They simply wanted to protest the new political restrictions imposed by President PAK in South Korea. The demonstration was peaceful, but not successful. SOHN stated he observed this demonstration but did not hinder it in any way.

On September 10, 1973, a discreet telephonic inquiry to the South Korean Consulate, NYC, asking for KIM Yong-ho ascertained that he has been "transferred" to Washington, D. C.

On September 10, 1973, a discreet telephonic inquiry to telephone number 369-6647, asking for KIM Yong-ho, determined that he no longer is residing at that address, 165 East 85th Street, NYC, which is the address for the Catholic Kolping Society, which rents out rooms at that location.

76. FBI memorandum entitled "Republic of Korea Intelligence Activities in the United States," dated November 19, 1973



On November 12, 1973, Kee Yong CHUNG, 1008 North Randolph Street, Arlington, Virginia, was interviewed by Special Agents of the Federal Bureau of Investigation (FBI) and provided the following information:

CHUNG stated that he is the Managing Editor of the "Han Min Shinbo", the oldest and most widely distributed Korean newspaper published in the United States, espousing the opposition cause to the present government of President Chung Hee PARK in Korea. He stated that he was espousing a cause of Dae Jung KIM, the recently kidnapped opposition leader to PARK, and as such, frequently publishes articles critical of the PARK regime. CHUNG advised that the editorial policy is set by a loosely organized group of fellow-Koreans, "who meet at irregular intervals". He stated that apart from the money and time he himself spends for the newspaper, monies for funding the project are obtained mainly from advertisers and sympathizers. The newspaper has been published for three years, averaging one edition per month and contains both English language and Korean language articles.

According to CHUNG, often times subsequent to the publishing of articles especially critical of the PARK regime, he receives anonymous telephone calls, both at his home and at his office, suggesting that such critical articles should not be published. He stated that though no actual threats have ever been made to him, he feels that these callers are at least warnings, that should he not desist in publishing critical articles of the PARK regime, something might happen to him or his family.

REPUBLIC OF KOREA

CHUNG stated that he feels that some of these telephone calls may emanate from someone acting in behalf of the Korean Central Intelligence Agency (KCIA) though at no time have any of the anonymous callers ever suggested any such connection. He stated that a frequent caller has been a male individual who identifies himself as Chi Young KIM (phonetic) who, however, is unknown to both him and any of his friends.

CHUNG stated that in September, 1973, he received a letter from a member of the Korean National Assembly, a Mr. NOH of the PARK Coalition who extended an offer for him (CHUNG) to return for a visit to Korea at government expense. CHUNG stated that he felt that this was merely a ploy by the KCIA to get him to return to Korea in order to silence his criticism of the PARK regime. Again CHUNG stated that he had no proof to show KCIA involvement, although he felt this was so.

CHUNG stated that another Korean newspaper published locally, the "Han Kook Shin Moon", is a pro-PARK weekly, published by the Pan-Asian Press, 1750 Pennsylvania Avenue, N.W., Washington, D.C. and is distributed free of charge. CHUNG stated that another Korean National Assemblyman, whom he refused to further identify and who was visiting in the Washington, D.C. area in August, 1973, told him that Kwang Nyan HAN, the publisher of this newspaper allegedly received \$300,000 from the KCIA for his newspaper. CHUNG noted that this National Assemblyman currently represents the opposition party to the PARK Coalition in Korea.

CHUNG stated that he has on occasion been in the company of Sang Ho LEE and Hong Tae CHOI of the Embassy of Korea, Washington, D.C., both of whom have been identified to him by unrecalled friends as representatives of the KCIA to the embassy. Both of these individuals have exhibited an outwardly friendly attitude towards him and made no mention whatsoever of articles appearing in his newspaper critical of President PARK. CHUNG stated that he was certain that both LEE and CHOI were aware of his identity as Editor of the "Han Min Shinbo".

"The Diplomatic List" for August, 1973, published by the United States Department of State (USDS), Washington, D.C., lists Sang Ho LEE as minister and Hong Tae CHOI as

REPUBLIC OF KOREA

Conselor at the Embassy of Korea,
Washington, D.C.

CHUNG concluded the interview by stating that he could offer no proof whatsoever that any harassment directed towards him or his newspaper actually emanated from KCIA sources nor was he aware of the identities of any other individuals who could trace any type of harassment to KCIA. He stated that the general feeling among those Koreans in the United States who are harassed to any extent for their anti-PARK views is that the PARK government directs the KCIA and/or its operatives to express their displeasure when such views are made public.

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recommendations nor conclusions of
the FBI. It is the property of
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it and its contents are not to be
distributed outside your agency.

77. FBI memorandum entitled "Republic of Korea (ROK) Intelligence Activities in the United States," dated December 18, 1973



UNITED STATES DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

New York, New York

DEC 18 1973

In Reply, Please Refer to
File No.

Republic of Korea (ROK)
Intelligence Activities in
the United States

On December 10, 1973, NY T-1, who has furnished reliable information in the past, advised that the articles that appeared in the "New York Times", "Washington Post" and other newspapers in the United States over the past several months that concerned alleged ROK Central Intelligence Agency (CIA) intimidation and harassment of ethnic Koreans residing in the United States were on the whole greatly distorted and elaborated. In one such article, SOHN In-duk, a Korean Consul in New York City (NYC) was alleged to have surveilled anti-ROK demonstrators during a demonstration in NYC in April, 1973. In point of fact, according to NY T-1, SOHN asked the demonstrators if he could attend and, in fact, was invited by them to sit on the dais during the various speeches at the demonstration. NY T-1 does not consider this action to be any form of intimidation or harassment. In regard to the three South Korean diplomats, who according to newspaper accounts, "defected" to the United States, NY T-1, who knows these individuals personally, understands that it was mostly for personal reasons that they decided to remain in the United States. KIM Yong-ho, who was stationed in NYC, was disgruntled because his family was residing in Washington, D.C., while he was working in NYC. He also had disagreements with his superior. The other two individuals were disgruntled due to the lack of promotions in their particular branch of the Foreign Service. NY T-1 does not feel that any of these individuals were, in fact, intimidated by the ROK CIA. KIM Yong-ho presently is residing in Washington, D.C., and is running a restaurant there. He has left the ROK Government service.

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105-247904-16

-1-

ENCLOSURE

78. Memorandum from F. S. Putman, Jr. to W. R. Wannall, dated February 8, 1974

OPTIONAL FORM NO. 10
MAY 1962 EDITION
GSA GEN. REG. NO. 27

2010-106

UNITED STATES GOVERNMENT

Memorandum

TO : Mr. W. R. Wannall

FROM : F. S. Putman, Jr.

SUBJECT: REPUBLIC OF KOREA (ROK)
INTELLIGENCE ACTIVITIES IN THE UNITED STATES
REGISTRATION ACT - SOUTH KOREA

P.S. Putman

1 - Mr. B. C. Rachner
1 - Mr. F. S. Putman, Jr.

DATE: 2/8/74

1 - Mr. H. L. De Buck
1 - Mr. R. J. Ivey

Assist. Secy. _____
Dep. AD Adm. _____
Dep. AD Inv. _____
Asst. Dir. _____
Admin. _____
Comp. Syst. _____
Ext. Affairs _____
Files & Com. _____
Gen. Inv. _____
Ident. _____
Inspec. _____
Laboratory _____
Plan. & Eval. _____
Spec. Inv. _____
Training _____
Legal Coun. _____
Telephone Rm. _____
Director Sec'y _____

This is to advise you of a meeting on February 7, 1974, between SAs Henry L. De Buck and Robert J. Ivey, CI-3, and Bernard C. Rachner, CI-4, with Donald L. Ranard and Ed Kelly, Korean Desk Officers, Department of State. This meeting was requested by Mr. Ranard to discuss captioned case.

Captioned case was initiated at State Department request following allegations in the press that ROK Central Intelligence Agency (CIA) agents were harassing ROK residents in the United States. Results of investigation to date, which have been furnished to State Department in five separate LHM's, reflect there are two individuals in San Francisco who may be operating on behalf of ROK CIA in violation of Foreign Agents Registration Act. Investigation also has resulted in allegations that several ROK diplomatic officials in the U.S. known to be ROK CIA agents have acted outside the scope of their duties.

Mr. Ranard was advised that investigation was continuing under the Foreign Agents Registration Act regarding the individuals in San Francisco who are non-diplomatic. However, no investigation would be conducted of ROK diplomats in the U.S. without specific written authority from State Department.

REC 27/02-247904-20
Mr. Ranard stated that investigation to date has helped State Department considerably and that the ROK Ambassador to the United States has been warned regarding the allegations and of possible consequences if such

105-247904

22 FEB 12 1974

RJI:sjg:skf
(5)

CONTINUED - OVER

58 FEB 15 1974

5-1 RJI

Memorandum to Mr. W. R. Wannall
Re: Republic of Korea (ROK)
Intelligence Activities in the United States

allegations are true and were to continue. He stated that since this matter has been under investigation by the FBI, the Number One and Number Two men of ROK CIA who were assigned to the ROK Embassy in Washington, D. C., have been ordered back to Korea by their government. Mr. Ranard expressed appreciation to the FBI for the investigation conducted to date.

ACTION:

None. For information.

RJI LEB [Signature]

MOC [Signature]

WHD

79. FBI memorandum entitled "RHEE Min Hi," dated November 13, 1974



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Reply, Please Refer to
in Re.

San Francisco, California

November 13, 1974

RHEE MIN HI

On October 24, 1974, Rhee Min Hi was interviewed at his place of employment, the Amko Tours Company, 291 Geary Street, Suite 501, San Francisco, California, by Special Agents of the Federal Bureau of Investigation (FBI) and provided the following information.

Hi stated that he is currently the president of Amko Tours Company, specializing in the organizing and conducting of tours for the Korean tourists traveling to and from the United States. Hi stated that the Amko Tours Company was established about a year ago to handle hotel accommodations, scenic tours, and visa and passport applications for traveling Korean tourists.

Hi advised that he is no longer an instructor at the Korean Karate School which was located at 712 Polk Street, San Francisco. He mentioned that with his new position at the Amko Tours Company he hardly finds time to conduct karate classes and therefore closed the Korean Karate School altogether. Hi stated that he was selected as Honorable Director of the Karate School located at 1901 Fillmore Street, San Francisco, California.

Hi asserted that he is currently the president of the Korean Residents Association in San Francisco and is in continued contact with the Korean Consulate in San Francisco concerning matters regarding the Korean community but strongly commented that he is not being directed by the Korean Consulate to conduct harassment-type tactics to those individuals who oppose the government of President Park of South Korea.

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RHEE MIN HI

Hi admitted that he disrupted the speech made by KIM Dae-jung, exiled leader of South Korea's opposition party, on May 18, 1973, at the International Center, 50 Oak Street, San Francisco. He stated that he disrupted the meeting because of KI's political views against the Park administration and the threatening comments made by KI concerning withdrawal of U.S. financial aid and military support from South Korea. Hi said that his actions at the meeting were strictly a result of his personal feelings and nothing else. Hi commented to the fact that he is not a Korean CIA agent and has never been approached by any member of the Korean CIA.

Hi concluded the interview by stating that he is aware of the provisions of the Foreign Agents Registration Act. Hi strongly reiterated the fact that his actions concerning the May 18, 1973 incident were purely the result of his personal feelings and in no way connected with the Republic of Korea Government.

80. FBI memorandum entitled "GEORGE SOO-KOON AI also known as George S. Ai," dated January 29, 1975



UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

Reply. Please Refer to
6 No.

San Francisco, California

January 29, 1975

GEORGE SOO-KOON AI
Also Known As
George S. Ai

On August 29, 1973, SF T-1, a person who is in a position of respect in the Korean Community of San Francisco, advised that George Soo-Koon Ai has been alleged to be an operative of the Republic of Korea Central Intelligence Agency (CIA).

On December 28, 1974, George Soo-Koon Ai was interviewed at his place of residence, 2919 Lake Street, San Francisco, California, by Special Agents of the Federal Bureau of Investigation and provided the following information:

Ai advised that he is currently the President and sole owner of the LEE HAN Trading Company, Inc. specializing in the sale of agricultural products to South Korea. He stated that since he frequently travels to Korea on business, he no longer has the business office at One Embarcadero Center, Suite 3801, San Francisco, but conducts all of his business affairs at his residence on Lake Street, San Francisco. Ai commented that he is also the Advisor for the KUK-Ja Cable Products Company and the JIN-Do Construction Company located in Seoul, Korea.

Ai stated that he was born and educated in Seoul, Korea and during the Korean Conflict was employed as a civilian translator for the United States, 409 Engineering Corps S-2 Section in Seoul, Korea. Ai said that he was employed by the United States Engineering Corps from 1950 to 1961. During 1961 to 1963 he was employed as a member of the Planning Commission for the Special Economics Board for the South Korean Government. From 1963 to 1966, he worked as an Administrator for SHIN-Hung Lumber Trading Company in Seoul, Korea. In April of 1966, Ai mentioned that he and his family moved to Hong Kong and there he opened a successful travel business catering to the Korean tourists traveling to and from Hong Kong. Ai advised that after six years in the travel business he decided to quit the business and in July of 1972, he and his family made preparations

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GEORGE SOO-KOON AI
Also Known As
George S. Ai

for travel to San Francisco. Ai indicated that his reasons for coming to San Francisco were purely for the sake of his family. He stated that he always wanted his children to be educated in the United States and is happy that his two children are now attending school in the San Francisco Bay Area.

Ai asserted that he is a personal friend of CHAN YOON, Consul General of the Korean Consulate in San Francisco and has known CHAN since childhood in Korea. Ai stated that he and the Consul General socialize together occasionally but commented that he is not being directed by the Korean Consulate to conduct any type of harassment type targets to those individuals who oppose the Park Regime of South Korea. Ai said that he is not a Korean CIA agent and has never been approached by any member of the Korean CIA.

Ai concluded the interview by stating that he is happy that the United States Government admitted he and his family to the country and strongly commented to the fact that he would in no way jeopardize his stay in the United States by engaging himself in pro-Park Regime activities.

81. FBI memorandum entitled "LEE Man-sing," dated February 19, 1975

UNITED STATES DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATIONIn Reply, Please Refer to
File No.

San Francisco, California

February 19, 1975

LEE Man-sing

On August 29, 1973, SF T-1 advised that LEE Man-sing, a student at the University of San Francisco, has been associating with RHEE Min-hi, a suspected Republic of Korea (ROK) Central Intelligence Agency (CIA) Agent.

On January 23, 1975, LEE Man-sing was interviewed by Special Agents of the Federal Bureau of Investigation (FBI) at his place of residence, 1630 Sutter Street, Apartment #10, San Francisco, California. LEE furnished the following information:

LEE was born on July 25, 1941, in Seoul, Korea, and arrived in the United States in June of 1967. LEE stated that he entered the United States on a Student visa and is presently a graduate student at the University of San Francisco, majoring in government. LEE commented that he intends to receive his graduate degree within a year from the University of San Francisco and upon receipt of the degree, he plans to return to his homeland in Seoul, Korea.

LEE advised that he first met RHEE Min-hi at a Karate exhibition tournament held in San Francisco about three years ago, sponsored by the Korean Karate School, 712 Polk Street, San Francisco, California. LEE stated that RHEE Min-hi, at that time was the head instructor for the karate school and since he (LEE) was also a karate instructor in Seoul, Korea, prior to coming to the United States, LEE decided to contact RHEE Min-hi after the tournament and discuss different types of karate dance forms and techniques.

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LEE Man-sing

LEE said that RHEE Min-hi invited him out to the karate school on several occasions after their first meeting and together had quite a few karate work-outs. It was then, LEE said, that RHEE Min-hi confronted him to be his assistant instructor at the karate school and LEE accepted the position.

LEE advised that his association with RHEE Min-hi was only on a professional basis and commented that he hardly sees RHEE Min-hi at all after the Korean Karate School was closed more than a year ago. During his association with RHEE Min-hi, LEE explained that RHEE Min-hi never discussed his political views towards the ROK Government, or gave indications of working as a CIA Agent in behalf of the ROK Government.

LEE concluded the interview by stating that he has never been approached by any member of the Korean CIA or the Korean Consulate to conduct harassment-type tactics against those individuals who oppose the Park Regime. LEE stated that his main purpose for coming to the United States was to further his education and he intends to pursue the matter until he receives his graduate degree.

82. Incorporation Papers and Statement of Purpose of American-Korean Cultural Society, dated March 1976

CERTIFICATE OF INCORPORATION

of

AMERICAN-KOREAN CULTURAL SOCIETY, INC.

Under § 401 of the NOT-FOR-PROFIT
CORPORATION LAW

- - - 0 - -

The undersigned hereby certify:

1. The name of the Corporation is AMERICAN-KOREAN
CULTURAL SOCIETY, INC.

2. The corporation is a corporation as defined in
subparagraph (a) (5) of § 102 of the Not-for-Profit Corporation Law in that it is not formed for pecuniary profit or financial gain, and no part of the assets, income or profit of the corporation is distributable to, or inures to the benefit of its members, directors or officers or any private person except to the extent permissible under the Not-for-Profit Corporation Law.

3. The purposes for which the corporation is formed are:

(a) To stimulate, develop, promote and encourage public interest in all aspects of the culture, both ancient and contemporary, of Korea and, more particularly, in the fields of Korean literature, drama, performing arts, music, dance, painting, sculpture, graphic arts, society

and social practices, history, philosophy, publishing, broadcasting, and related activities.

(b) To sponsor, promote, undertake and arrange public and private showings, performances, concarts, lectures, and publicity for the foregoing purposes, and to employ and to pay compensation to musicians, dancers, performers, conductors, artists, accompanists, painters, authors, lecturers and other persons, groups and organizations with respect to the foregoing purposes.

(c) To encourage and to arrange exchange visits by Koreans to the U.S.A. and visits to Korea by Americans who are artists, educators, media representatives, and others.

(d) To encourage and support United States artists, students and educators engaged in study, research, or development of Korean arts and studies.

(e) To do any other act or thing incidental to or connected with the foregoing purposes or in advancement thereof, but not for the pecuniary profit or financial gain of its members, directors, or officers, except as permitted under Article 5 of the Not-for-Profit Corporation Law, and except that reasonable compensation may be paid for services rendered to or for the corporation affecting one or more of its purposes.

4. The corporation is a Type B corporation under § 201 of the Not-for-Profit Corporation Law.

5. The office of the corporation shall be located in the City, County and State of New York.

6. The territory in which the corporation's activities are principally to be conducted is the United States of America.

7. The names and addresses of the initial directors are:

<u>Name</u>	<u>Address</u>
Kee Hyung Lee	24 Doris Drive Scarsdale, N.Y. 10583
Morton Zuckerman	75 East End Avenue New York, N.Y. 10028
Jack Saltz	17 Willow Lane Scarsdale, N.Y. 10583
John S. Samuels III	960 Fifth Avenue New York, N.Y. 10021
Nasrollah S. Patemi	47 Chestnut Ridge Road Saddle River, N.J. 07458
Ock Kim	43-16 Burling Street Flushing, N.Y. 11355
Mario di Genova	565 Park Avenue New York, N.Y. 10021
Tristan E. Beplat	One Haslet Avenue Princeton, N.J. 08540

8. The post office address to which the Secretary of State shall mail a copy of any notice required by law is c/o Dunn & Zuckerman, P.C., 17 Battery Place, New York, New York 10004.

9. In the event of dissolution, the remaining assets

and property of the corporation after necessary expenses thereof shall be distributed to such organizations as shall qualify under § 501(c) (3) of the Internal Revenue Code of 1954, subject to an order of a Justice of the Supreme Court of the State of New York.

10. In the event that in any year the corporation shall be a "private foundation", as that term is defined in § 509 of the Internal Revenue Code of 1954, as amended,

A. The corporation shall distribute its income for each taxable year at such time and in such manner as not to subject it to tax under § 4942 of said Code, and

B. The corporation shall not

- a. engage in any act of self-dealing as defined in § 4941(d) of the Code;
- b. retain any excess business holdings as defined in § 4943(c) of the Code;
- c. make any investments in such manner as to subject the corporation to tax under § 4944 of the Code; or
- d. make any taxable expenditures as defined in § 4945(d) of the Code.

11. Each of the subscribers hereto is of the age of 18 years or over.

12. Prior to the delivery of this Certificate of

Incorporation to the Department of State for filing, all approvals or consents required by the Not-for-Profit Corporation Law or by any other statute of the State of New York will be endorsed upon or annexed hereto.

IN WITNESS WHEREOF, the undersigned incorporators, each being at least 18 years of age, have made, subscribed and acknowledged this Certificate this day of March, 1976.

Kee Hyung Lee

Morton Zuckerman

Jack Saltz

John S. Samuels III

Nasrollah S. Fatemi

Ock Kim

Mario di Genova

Tristan E. Beplat

AMERICAN-KOREAN CULTURAL SOCIETY (AKCS)

PREAMBLE

Despite a century of official relationships between the U. S. and Korea, most Americans know very little about Korea. AKCS proposes to convey to the American people Korean culture in its broadest sense, that is, all the elements in Korean traditions and society which constitute the unique character of the people and nation. Among those elements are Korean attitudes and practices with respect to arts and crafts, education, philosophy, religion, law, government, sport, entertainment, the economy, social relationships and behavior, quality of life and national aspirations. The Society hopes thereby to promote better understanding and closer ties between the two peoples.

I. PURPOSES

- * To make traditional and present-day Korean culture and civilization better known to the people of the United States;
- * To promote greater and more active interest in Korean culture and civilization on the part of Americans;
- * To encourage visits to Korea by American artists, educators, media representatives, tourists, war veterans, businessmen and government officials;
- * To encourage and support U. S. artists, students and educators engaged in Korean arts and studies;
- * To cooperate in exchange programs and other cultural activities with the American-Korean Cultural Society;

- * To cooperate with American and other organizations in activities promoting Korean culture.

II. ORGANIZATION

AKCS will be headquartered in New York City. Officers and directors will be a mix of Americans and Koreans. The president will be American, as will be the paid executive director. Initially there will be ten directors or trustees, with provision for future expansion to thirty.

With the New York headquarters firmly established and functioning chapters will be established in other U. S. cities. Chapter officers will be a mix of Americans and Koreans, if available and willing to serve. Each chapter, with the aid of AKCS in New York, will recruit active members from its own geographical region. AKCS will recruit individual and organizational members throughout the United States.

The AKCS Board of Directors will meet monthly or at other regular intervals to be set forth in the by-laws.

III. ACTIVITIES

Examples of AKCS activities which may be pursued in carrying out the Society's purposes include:

- * Work with American, Korean and other groups, institutions and individuals on programs designed to promote Korean cultural activities in the U. S.;
- * Sponsor programs of Korean performing arts for U. S. audiences, and permanent traveling exhibits of Korean arts, such as painting, sculpture, metalwork, calligraphy, photography and ceramics;

- * Award scholarships and grants to students, educators and artists whose work stands to bring worthwhile Korean cultural activities to the favorable attention of the American people; develop, or sponsor the development of, classroom aids and other educational materials for use by teachers on the elementary, secondary and college levels in teaching students about Korea.
- * Sponsor visits to Korea by American artists, scholars and media representatives engaged in projects designed to present Korean culture and civilization to Americans in a favorable light;
- * Arrange interviews for American scholars and media representatives with authoritative spokesmen on all facets of Korean culture and contemporary life;
- * Present lectures, seminars, debates and similar information programs to U. S. audiences;
- * Organize festive and commemorative ceremonies to mark significant cultural events, such as library or museum dedications, establishment of AKCS chapters visits by outstanding representatives of the arts and scholarship;
- * Produce, or support the production of films, slide presentations and literature on Korean culture for U. S. audiences, including the television audience;
- * Act as a clearinghouse for inquiries from Americans seeking information on Korean culture.

IV. FINANCING

AKCS will be financed by voluntary contributions from American and Korean individuals, business firms and other organizations.

Several individuals and business firms in the U. S. have already expressed their intention to provide voluntary financial contributions for the start-up phase to cover expenses for such basic requirements as: rent and furnishings for the New York office; salary of the executive director and secretary; announcement and recruitment literature costs; and miscellaneous expenses.

After the charter has been approved by New York State, the officers and directors elected, and the headquarters and director in place, the announcement literature will be mailed to selected individuals and organizations throughout the U. S., with an invitation to become members at a sliding scale of fees: a nominal fee for individuals and progressively higher fees for colleges, libraries, museums, professional societies, foundations, corporations and trade associations.

83. Memorandum from R. A. Anderson to R. W. Baldwin of Gulf Oil, dated April 22, 1976

(Emphasis not added by Subcommittee)

FROM	R. A. Anderson	AT	Pittsburgh	IN REPLY REFER TO
TO	Mr. R. W. Baldwin	AT	Houston	DATE
SUBJECT	<u>April 22, 1976</u>			

GULF EMPLOYEE ON LEAVE OF ABSENCE

In September 1975, [REDACTED] was granted a leave of absence from Gulf, without pay, in order to direct the activities of the American Korean Cultural Society, Inc. The purpose of this organization is to develop, encourage, and promote public interest in all aspects of Korean culture in the United States. This organization comes under the jurisdiction of Korea's Ambassador to the United States, Ambassador Han. [REDACTED] was recommended and encouraged to assume this position by Mr. Dorsey and Mr. James E. Lee, and both signed the above-mentioned leave of absence, and assured [REDACTED] that he would be reinstated by Gulf at the end of the five year period, or at any time he would terminate his association with the organization.

In a recent meeting with George Thompson in New York, [REDACTED] expressed his growing concern that the aim of the American Korean Cultural Society is being diverted from its stated purpose and directed more and more toward the political aim of Ambassador Han; namely, the developing of a positive and sympathetic American opinion of President Park Chung Hee's regime. If this diversion continues, it would not only be counter to the American Korean Cultural Society's charter, but it would be in violation of the Certificate of Incorporation, and [REDACTED] would feel obligated to immediately terminate his association with the AKCS.

Mr. Thompson further reports that [REDACTED] is very enthusiastic about this assignment, the goals of the organization, and wants to make a success of this undertaking; however, because of Ambassador Han's political aims, he fears the real purpose of this Society may be lost. [REDACTED] purpose for meeting with George was to apprise him of this situation and to receive assurance that he would be reinstated immediately by Gulf should his termination with the Society become necessary.

[REDACTED] was originally employed by Gulf in 1967 and has held a variety of marketing assignments. Prior to joining the American Korean Cultural Society, he was assigned in the Tulsa Marketing Region.

I am bringing this to your attention now because if [REDACTED] finds it necessary to resign from the AKCS, the commitment of Messrs. Dorsey and James E. Lee must be honored. Obviously, in such event, [REDACTED] should be given an appropriate assignment within the GORAM marketing organization.

Dick
R. A. Anderson

cc: M. P. Breaux - Houston
G. K. Thompson-New York

84. Applicability of U.S. Laws to Activities Described in 1976 KCIA Plan. Prepared by the American Law Division of the Congressional Research Service for the Subcommittee on International Organizations, January 18, 1977

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WASHINGTON, D.C. 20540

January 18, 1977

To: Subcommittee on International
Organizations
Atten: Mr. Howard Anderson

From: American Law Division

Subject: Applicability of U.S. Laws to Activities Described in 1976
KCIA Plan

Reference is made to your recent inquiry requesting information on the above matter. Specifically, you ask to be provided with -

- 1) An analysis of the applicability of present U.S. laws to the types of activities described in the plan;
- 2) Materials setting forth the legislative history of the Foreign Agents Registration Act;
- 3) An analysis of the enforcement of the FARA; i.e., a general idea of which FARA situations have resulted in criminal prosecutions, which have been handled civilly, etc.;
- 4) An analysis of U.S. law as it applies to our own government; specifically, if our government is prevented by our own laws from engaging in the kinds of activities outlined in the KCIA Plan.

As explained during our telephone discussions on the subject of your request, information on items 2 and 3 is contained in a recent committee print entitled The Foreign Agents Registration Act. The print in question was prepared for the Senate Committee on Foreign Relations by the American Law Division and was issued August, 1977. Copies of the print may be obtained from Mr. David Keaney of the Foreign Relations Committee.

The outline of the KCIA Plan which you submitted for an analysis of possible violations of federal law covers 23 pages and outlines more than 150 activities apparently intended to counter anti ROK sentiment in Congress, the Executive Branch, academic and religious circles, and Korean groups in this country, and to oppose North Korean activities in the United States. The plan is set out in outline form and the wording is, for the most part, vague and ambiguous, e.g., "manipulate", "co-opt", etc. Although some of the plan's various features suggest questionable activities, the only seemingly clear violations of federal law are raised by activities which call for contributions of money to political campaigns, payment of money to influence the performance of official duties and the like.

In the main, however, the plan's features are insufficiently described and difficult to interpret. Accordingly, we shall confine our analysis to federal laws which may have a bearing on the suggested

KCIA activity. Whether in point of fact, the hereinafter mentioned laws would have been violated if the plan had been executed, involves a judgment that cannot be made on the basis of the mentioned materials.

1. As in past memoranda on this and related subjects prepared for your subcommittee, the Foreign Agents Registration Act of 1938, as amended, 22 U.S.C. 611-621, must be deemed of central importance to the domestic activities of the KCIA. The FARA requires persons and organizations engaging in political activities in the United States as agents of foreign principals to register with the government. The term "political activities" is defined as the dissemination of political propaganda and any other activity which the person believes "will ... prevail upon, indoctrinate, convert, induce, persuade, or in any other way influence any agency or public official of the Government . . . or any section of the [American] public . . . with reference to . . . the domestic or foreign policies of the United States or with reference to the political or public interests . . . of a foreign country or of a foreign political party."

A "foreign principal" is defined as a foreign government, a foreign political party, and person outside of the United States; and an organization having its principal place of business in a foreign country.

An "agent of a foreign principal" is broadly defined as any person who acts as an agent for or who acts under the direction or control of a foreign principal, either directly or indirectly, and who --

- (1) Engages within the United States in political activities for or in the interests of such foreign principal;
- (2) Acts within the United States as a public relations counsel, publicity agent, information-service employee or political consultant or in the interests of such foreign principal;
- (3) Within the United States, solicits, collects, disburses, or dispenses contributions, loans, money, or other things of value for or in the interest of such foreign principal; or
- (4) Within the United States represents the interest of such foreign principal before any agency or official of the United States.

Although the FARA imposes severe criminal penalties for violating its provisions, the purpose of the Act is disclosure of persons and activities intended to influence governmental actions. The heart of the Act is the registration section. It provides that no person shall act as an agent of a foreign principal unless he has filed a registration statement with the Attorney General. It further requires that every person who is an agent of a foreign principal file a registration statement with the Attorney General.

The Act and implementing regulations (28 CFR Part 5) require a foreign agent to file with the Department an initial registration statement together with required exhibits, within ten days after the agency relationship is established but before the agent acts. Thereafter, for as long as the relationship continues, the agent is required to file supplemental statements within thirty days after the close of each six month period. Similarly, within ten days after the relationship is established, a short form registration statement must be filed by each partner, officer, director, associate, employee, and agent of the registrant who engages directly in furthering the interest of the registrant's principal. Finally, the agent must file a final statement of activities within 30 days after the agent-principal relationship is terminated.

The contents of the statement as prescribed by the Act and regulations require a detailed report of all information needed to make disclosure meaningful.

The Act further requires each and every registrant to file copies of political propaganda within forty-eight hours of its dissemination. The propaganda materials must be accompanied by a dissemination report which details the places, times, and extent of its dissemination. The material must also be conspicuously labeled or marked with an accurate statement --

setting forth the relationship between the person transmitting the political propaganda or causing it to be transmitted and such propaganda; that the person transmitting such political propaganda or causing it to be transmitted is registered under this subchapter with the Department of Justice, . . . as an agent of a foreign principal, together with the name and address of such agent of a foreign principal and of such foreign principal; that, . . . his registration statement is available for inspection at and copies of such political propaganda are being filed by the Department . . .; and that registration of agents of foreign principals . . . does not indicate approval by the United States Government of the contents of their political propaganda.

The Act expressly prohibits the dissemination of political propaganda "to any agency or official of the Government (including a Member or committee of either House of Congress)" unless accompanied by a statement clearly indicating that the person transmitting it is a registered foreign agent.

The Act requires that when an agent appears before a congressional committee for or in the interest of his foreign principal, he must file a copy of his most recent registration statement as part of his testimony.

Enforcement of the Act is by both criminal penalties and injunction. A person who is convicted of willfully violating the Act may be fined up to \$10,000 or imprisoned up to five years, or both.

Similar penalties are authorized in the case of willful false statements and willful omissions of material facts on registration statements and other submissions which are required to be filed by the Act. Violations of the propaganda filing and labeling provisions, the prohibition against contingent fee contracts, and excessive delay -- beyond ten days -- in responding to a deficiency notice are misdemeanors punishable by up to \$5,000 fine or six months imprisonment or both.

In addition to criminal penalties, the Act authorizes the Attorney General to bring injunctive proceedings to compel compliance with the Act and its implementing regulations.

2. The domestic counterpart of the FARA is the Federal Regulation of Lobbying Act of 1946, 2 U.S.C. 261 - 270. The latter requires the keeping of financial accounts and the filing of financial statements with the Clerk of the House of Representatives by persons who receive or solicit funds to be used "principally to aid, or the principal purpose of which person[s] is to aid, in the accomplishment of . . . (a) the passage or defeat of any legislation . . . [or] (b) to influence, directly or indirectly, the passage or defeat of any legislation by the Congress of the United States." In addition, persons "who shall engage [themselves] for pay or for any consideration for the purpose of attempting to influence the passage or defeat of any legislation" must register with the Clerk of the House and the Secretary of the Senate before engaging in such activities.

The Act authorizes substantial penalties, both imprisonment and monetary fines, alternatively or in combination, and, prohibits any person who is convicted from engaging in lobbying for three years following such conviction. Even more severe penalties are authorized for violating the latter restriction.

As noted, the Act is primarily concerned with the activities of domestic persons who engage in lobbying. It should be noted, however, that if a foreign agent lobbies before Congress, he must register under both the FARA and the 1946 Act.

3.(a) The Congress has enacted a number of other statutory restrictions on the activities of foreign agents. For example, it is a crime for a person, other than a diplomatic or consular official or attache, to act in the United States as an agent of a foreign government without prior notification to the Secretary of State; 18 U.S.C. 951. The law authorizes 10 years imprisonment or \$5,000 fine, or both, for violating its provisions.

Both the FARA and 18 U.S.C. 951 apply to agents of foreign governments, but the former also applies to agents of nongovernmental foreign principles. Section 951 does not define the activity which requires registration but the cases "assume that it means one who acts directly or indirectly for the benefit of a foreign government." United States v. Butenko, 384 F.2d 554, 556 (3rd Cir. 1967).

"It is unclear whether 18 U.S.C. §951 is intended to cover more persons than 22 U.S.C. §611 et seq. It is clear they presently overlap except with respect to the identity of the official with whom they must register. It is also clear that 18 U.S.C. §951 -- an offense, on its face, basically prophylactic -- is used to subject defendants to possible 10-year terms when the proof falls short of that required for espionage." 1
Working Papers of the National Commission on Reform of Federal Criminal Laws 498 (1970).

b. It is a crime, subject to severe criminal sanctions, for any Federal or District of Columbia official or employee either to be or to act as an agent of a foreign principal required to register under the FARA. 18 U.S.C. 219.

Officers and employees of the U.S. Government are prohibited from acting as agents of foreign principals. Contract or part-time employees of the Federal Government may act as agents of foreign principals if the head of the employing agency certifies that such employment is in the national interest and a copy of the certification is placed in the public file of the agent maintained by the Department of Justice.

The . . . section . . . make[s] it a felony for any agent of a foreign principle required to register under the Foreign Agents Registration Act of 1938 to act as an officer or employee of the U.S. Government or any agency thereof.

The section would except from its prohibition any agent whose employment was

certified as required in the national interest by the head of the employing agency. Any such certificate would be made a part of the public records relating to the agent on file with the Department of Justice. H. Rept. No. 1470, 89th Cong., 2d Sess. 1966 U.S. Code Cong. & Adm. News 2397, 2399, 2411.

c. The Federal Election Campaign Act of 1971, as amended, 2 U.S.C. 441(e), (j), prohibits political contributions by, and the receipt of political contributions from, a foreign national. The term "foreign national" is defined by the law to mean a foreign principal, incorporating by reference the Foreign Agents Registration Act's definition of the term, and "an individual who is not a citizen of the United States and who is not lawfully admitted for permanent residence"

The penalty for violation of this provision is a fine of \$25,000 or 300 percent of the illegal contribution or 1 year imprisonment, or both. The penalty provision of the law applies, however, to contributions which aggregate more than \$1,000.

d. Under 50 U.S.C. 851-857, registration with the Attorney General of persons trained in foreign espionage and sabotage systems is required. Wilfull violation of the law, including false statements and omission of material facts, is punishable by five years' imprisonment and a fine of \$10,000. Additionally, aliens who are convicted of violating the law are subject to deportation.

4. Official bribery is presently punishable under 18 U.S.C. 201. The law applies to elected or appointed officers and employees of the federal government. It prohibits anyone from offering or promising anything of value to a public official with intent to influence any official act or to induce the official to do or to omit to do any act in violation of his lawful duties. §201(b) It also prohibits offering or giving anything of value to a public official for performing an official act. §201(f)

The former is punishable by a maximum fine of \$20,000 or three times the monetary equivalent of the thing of value, or imprisonment for up to fifteen years, or both. In addition, a person who is convicted under that portion of the law is disqualified from holding "any office of honor, trust, or profit under the United States." A violation of the latter may be punished by a \$10,000 fine, or two years' imprisonment, or both.

The foregoing provisions of federal law appear to be suggested by the general outline of the KCIA Plan which accompanied your request. Of course, certain allied or ancillary criminal legal safeguards may also come into play, e.g., conspiracy. The present general federal conspiracy statute prohibits not only conspiracy to commit a crime, but any "offense against the United States, or to defraud the United States, or any agency thereof in any manner or for any purpose. Except where the object of the conspiracy is to commit a misdemeanor -- in which case the misdemeanor penalty applies -- violations

of the general conspiracy statute may be punished by five years imprisonment and a \$10,000 fine, or both.

The manner in which some of the features of the plan were to be carried out could give rise to other criminal violations. For example, use of the mails to make some or all of the indicated payments may constitute mail fraud violations, 18 U.S.C. 1341. The law provides, in pertinent part, that "Whoever, having devised or intending to devise any scheme or artifice to defraud, . . . for the purpose of executing such scheme or artifice or attempting to do so, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or takes or receives therefrom any such matter or thing, or knowingly causes to be delivered by mail according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined not more than \$1,000 or imprisoned not more than five years, or both."

The courts have interpreted the language of section 1341 "broadly and liberally . . . to further the purpose of the statute; namely, to prohibit the misuse of the mails to further fraudulent enterprises." United States v. States, 488 F.2d 761, 764 (8th Cir. 1973).

The contemplated funneling of money for influencing the performance of official duties may indicate a pattern of activities covered

by the anti-racketeering provisions of federal laws.¹⁸ U.S.C. 1952 provides, in relevant part, that "Whoever travels in interstate or foreign commerce or uses any facility in interstate or foreign commerce, including the mail, with intent to -- . . . (3) otherwise promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on, of any unlawful activity, and thereafter performs or attempts to perform any of the acts specified in subparagraph [] . . . (3), shall be fined not more than \$10,000 or imprisoned for not more than five years, or both". The term "unlawful activity" is defined to include, among other things, ". . . bribery . . . in violation . . . of the laws of the United States.

The courts have held that the anti racketeering provision are not limited to the activities of organized crime.

With regard to their second contention, defendants urge that §1952 was intended exclusively to curtail the unlawful activities of organized crime; here, they claim, no connection between the defendants and organized crime has been alleged. This argument is without merit. Even assuming that §1952 was aimed at organized criminal activity, if Congress had intended the statute to apply only to organized crime, it would of necessity have included a definition of "organized crime" in the statute; otherwise, courts would be faced with the insurmountable task of determining exactly to whom the statute applies. This Court looks in vain for such a definition.

Even in Rewis v. United States, 401 U.S. 808 . . . (1971), a case heavily relied on by the defendants, the Supreme Court stated "that §1952 was aimed primarily at organized crime." (Emphasis added.) Case law reveals many instances in which individuals have been convicted under the Travel Act for bribery and extortion offenses who have absolutely no relationship to organized crime. See, e.g., United States v. Pordum, 451 F.2d 1015 (2d Cir. 1971), cert. denied, 405 U.S. 998 . . . (1972); United States v. Mahler, supra, 442 F.2d 1172. Indeed, even in prosecutions under §1952(b)(1), in which a "business enterprise" must be shown, there is no necessity to prove that a defendant was associated with an organized crime syndicate; a continuous course of conduct by a petty hoodlum acting alone is sufficient. Spinelli v. United States, 382 F.2d 871, 889-890 (8th Cir. 1967)(en banc), rev'd on other grounds, 393 U.S. 410, . . . (1969). United States v. Archer, 355 F. Supp. 981, 985-986 (S.D. N.Y. 1972).

The KCIA Plan contains several references to infiltrating various governmental agencies, but save in one instance the object of these activities seems to have been to promote pro-ROK sentiment and counter anti-ROK influences, not to steal state secrets. Accordingly, the espionage provisions of the federal code seem largely irrelevant, 18 U.S.C. 797-799. The sole exception is the plan's reference to "infiltration" of the Joint Chiefs of Staff "to collect U.S. Far Eastern military strategy."

The heart of the espionage provisions are contained in sections 793 and 794. The former proscribes six activities, plus conspiracy and attempts, relating to gathering, transmitting or losing defense information. Subsection (a) and (b) prohibit entering a specified defense-connected installation or obtaining or copying a document connected with national defense for the purpose of obtaining information respecting the national defense with intent or reason to believe that the information is to be used to the injury of the United States, or to the advantage of a foreign nation. Subsections (c), (d), and (e) make criminal receipt of material knowing that it has been obtained in violation of other espionage provisions, communication of defense related material or information to any person not entitled to receive it, and retention of such information. The latter two subsections proscribe willful conduct while the first seems to prohibit any receipt of defense material by any person who knows or has a reason to believe that it has been obtained in violation of the espionage provisions. Subsection (f) punishes gross negligence which results in the compromise of sensitive documents or information.

Generally, section 794 proscribes the delivery of defense information to foreigners. Subsection (a) punishes actual or attempted communication to a foreign agent of any document or information "relating to the national defense," if the communication is "with intent" or reason to believe that it is to be used to the injury of the United States

or to the advantage of a foreign nation. Subsection (b), which applies only "in time of war," also deals with the transfer of information to foreigners and prohibits, collecting, recording, publishing, or communicating information about troop movements and military plans "with intent that the same shall be communicated to the enemy."

Equally criminal under both sections is conspiracy and attempt to do any of the above described activities. See, also, 793(g) and 793(c).

A conviction of transmitting national defense information to a foreign nation in violation of section 794 carries a possible death penalty or an alternative maximum life sentence. The penalty authorized for conviction of a violation of section 793 is a prison term up to 10 years or a fine up to \$10,000 or both.

With respect to the fourth item of your request, we are not aware of any federal laws which specifically deal with similar activities when performed by U.S. officials. Ordinarily, they would be amenable to the laws of the jurisdiction where the activities were conducted, if apprehended. Of course, the absence of relevant federal statutes does not import that these and similar actions are unauthorized or invalid. Offices are creatures of statutes, and the power associated therewith is dependent upon statutes so that officeholders must find within the statute warrant for the exercise of any authority which they

claim. 1 Am. Jur. 2d "Administrative Law" §70. Accordingly, unauthorized activity by officials may ordinarily be proceeded against in civil actions to enjoin such activities or administratively in the form of personnel actions. However, in the absence of an express penal sanction applicable to such activities outside the jurisdiction of the United States, such persons may not be criminally prosecuted.

Insofar as federal criminal jurisdiction is concerned, the Supreme Court has stated that "[a]lthough the constitution contains no grant, general or specific, to Congress of the power to provide for the punishment of crimes, except piracies and felonies on the high seas, offenses against the laws of nations, and counterfeiting of securities and current coin of the United States, no one doubts the power of Congress to provide for the punishment of all crimes and offenses against the United States." Logan v. United States, 144 U.S. 263, 283 (1892). The congressional power to create, define, and punish crimes and offenses whenever deemed necessary to effectuate the objects of the National Government derives from the Necessary and Proper Clause. U.S. Const., Art. I, sec. 18. United States v. Fox, 95 U.S. 670 (1878); United States v. Hall, 98 U.S. 343 (1879). That Americans under a properly drawn statute can be punished for crimes committed outside the jurisdiction of the United States is clear. See P.L. 95-213, Foreign Corrupt Practices Act re. bribery of foreign officials by domestic

concerns. See, also, Toth v. Quarles, 350 U.S. 11 (1955); Reid v. Covert, 354 U.S. 1 (1957); Kensella v. United States ex rel Singleton, 361 U.S. 234 (1960); Gresham v. Hagan, 361 U.S. 278 (1960).

J. H. Celada
Raymond J. Celada
Senior Specialist in
American Public Law

85. 1976 KCIA Plan for Operations in the United States, Korean language document and English translation

1976 PLAN FOR OPERATIONS IN THE UNITED STATES

(Korean Language)

Note on the preparation of the Plan for public release:

In order to protect the privacy of individuals and to facilitate the continuing investigation, the names of all individuals and most organizations have been removed from this copy of the Plan.

76年度 对美工作方案

工作目标

1. 北傀对美直接接触企图封鎖以美国内亲化势力
松大企图阻止。 4/4/20
2. 美同对韩安保履行保障以第美经带强化。 4/3
3. 在美侨民对北傀及匪阻止以瓦解。 4/1

工作指导方针

1. 对北工作

- 美国政府范围内对北傀缓压阻止
- 北傀对美国内左派势力对野合，韩国孤立化是国际统一战线形成企图阻止
- 美国朝野尖端民社会对缓压北傀工作纲 早期得知尖端群

2. 对驻在国工作

- 美国对韩防衛公约以实効性确保
- 美国朝野各界对韩国支持势力造成反韩与南北统一
- 韩美相互协力体制强化

3. 对侨民工作

- 在美侨胞对朝统化绝对防止
- 反政府以亲北主轴势力对统化以瓦解
- 维新派别对南独支持势力分化

4. 舟北工作

Digitized by srujanika@gmail.com

狀況	推進方案	備考
1. 北倪對抗直接接觸企圖	1. 美北倪直接接觸阻止 - 美國政府堅決反對北倪接觸不成功 - 美國外交手段治罪-阻止 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯 - 美國政府將北倪定性為政治犯	二、一般外交問題和個人外交政策 - 社會北倪代表部動向監視結果利用
2. 美日北倪對反朝戰爭聯合政權形成	2. 反韓勢力組織化策動阻止 - 日本在軍事美國由進步派反戰派 - 有條件的美日聯大行動指揮 - 北倪對日本反戰委員會支持 - 美聯統戰團干涉北倪北進指揮 - 反韓主導進戰 - 抵制印度尼西亞獨裁提供冷感 - 美國軍事 - 反韓擴大化推動偏頗性分歧 - 誓言紀念論大風雲 - 北倪主導外圍擴張委員會 - 北倪反戰及反韓運動者資料提供 - 領北者並非	三、青瓦台演習、布什備 工作一切不得失 美韓板核戰鬥備戰 又族極化之。
3. 美國再親北倪組織	3. 在美橋形半導體組織軟化 絕種防止 - 視北倪關係人物 - 美日北倪對抗企圖 - 研究地城北倪麾下工作員名 - 北倪進擊可能性	一、經美親北倪努力 但未達成北倪對外國際化 動向、反韓行動力需要 瞭解。
4. 駐外北倪代表部	4. 北倪代表部動向探知和吳老動 互解 - 北倪代表部動向監視網強化 - 美日合計、對外進攻方向、地理追上 - 美日行動計劃、組織化 - 吳老行動計劃 - 北倪指揮、國政工作 - 二級人物、北倪北進、反韓 - 北倪進擊、北進、北進	二、工作量：+5,000 (+3,000人月+1,200人月) - 沿海：+7,200 (+2,000人月+1,200人月) - 國政：+6,000 (+1,000人月+1,000人月) - 北北南：+10,000 (+2,000人月+2,000人月)

2. 駐在國工作

九、設會工作

目 標	推進方案	備 考
1. 改命內民主黨努力	1. 民主黨改裝為完全核心努力 立場。	定期接觸：\$7,200 不外由4至11之每4周。 諮詢行動費：\$4,600 \$4,000,000 • 計劃總額：\$6,000 (2月15日 48名)
2. 自由進步派核心努力	2. 自由進步派核心努力立場	定期接觸：\$13,600 (\$10,000 + 2,600 + 2,000) 諮詢行動費：\$14,600 \$4,000,000 • 政府：補助金5名 • 計劃總額：\$29,000 (\$15,000 + 6名) • 連坐獎金：\$5,000 (\$5,000 + 1名 • 結算)
3. 反對抗議團	3. 反對抗議團 領導	定期接觸：\$10,000 (\$10,000 + 1名) 諮詢行動費：\$13,500 \$4,000,000 (2月15日 2名 • 連坐獎金：\$5,000 (\$5,000 + 1名 • 結算)
4. 與接觸抗議團	4. 與接觸抗議團 斗爭 緒章 強化與領導，素圖抗造成 力，材料同心抗鬥，生性火熱現身 造成。(22名)	定期接觸：\$13,200 (\$10,000 + 3名 + 2,200) 諮詢行動費：\$13,500 \$4,000,000 (2月15日 2名) • 連坐獎金：\$5,000 (\$5,000 + 1名 • 結算)
5. 改命內主要機構	5. 改命內主要機構 • 改委會、希望深長里、 • 希望委、行政、事物委員會 • 補任官、新任委員 • 改編等級總監會 16名 • 上院： 16名 • 下院： 16名 • 各別委員會	定期接觸：\$18,000 (\$10,000 + 8名 + 2,200) 諮詢行動費：\$4,600 (\$2,500 + 1名 + 2,200) • 連坐獎金：\$5,000 (\$5,000 + 1名 • 結算)

4. 行政政府工作 言 明

SECRET

目 標	程 式 方 法	備 考
1. 白 声 銀	外 住處可 認識狀態。 1. 國政安保安 2. 警衛保 3. 穿衣室 4. 入口位置(此項 住所以被拆而生)	• 住處數: +3,600 (+100人×各人12月→+3,600) • 資料費: +450 (+50人×各人3日→+450)
2. 國務省(外務部担当)	外 送辦及化妝大。 1. 小組入次官辦事 2. 政治軍事司 3. 特種調查局 4. 國際機構組多次諮詢 5. 組長談 6. 情報諮詢局	• 送辦數: +3,600 (+300人×各人12月) • 資料費: +450 (+50人×各人3日)
3. 國 防 部	外 國防情報局 1. 合作伙企外參謀部 2. 國防情報局	• 住處數: +3,600 (+100人×各人12月)
4. C.I.A.	外 住處極力強化 1. 1局長及心理戰局長 2. CIA訪問 3. 各CIA次長半輪部級 10名多部訪問	• 住處數: +3,600 (+100人×各人12月) • 資料費: +450 (+50人×各人3日)
5. F B I	外 特異個體 1. 物質投報 2. 行政研究室活動提報	• 住處數: +2,400 (+100人×各人12月) • 資料費: +200 (+50人×各人2日)

中 言 論 界 工 作 二 三 旨

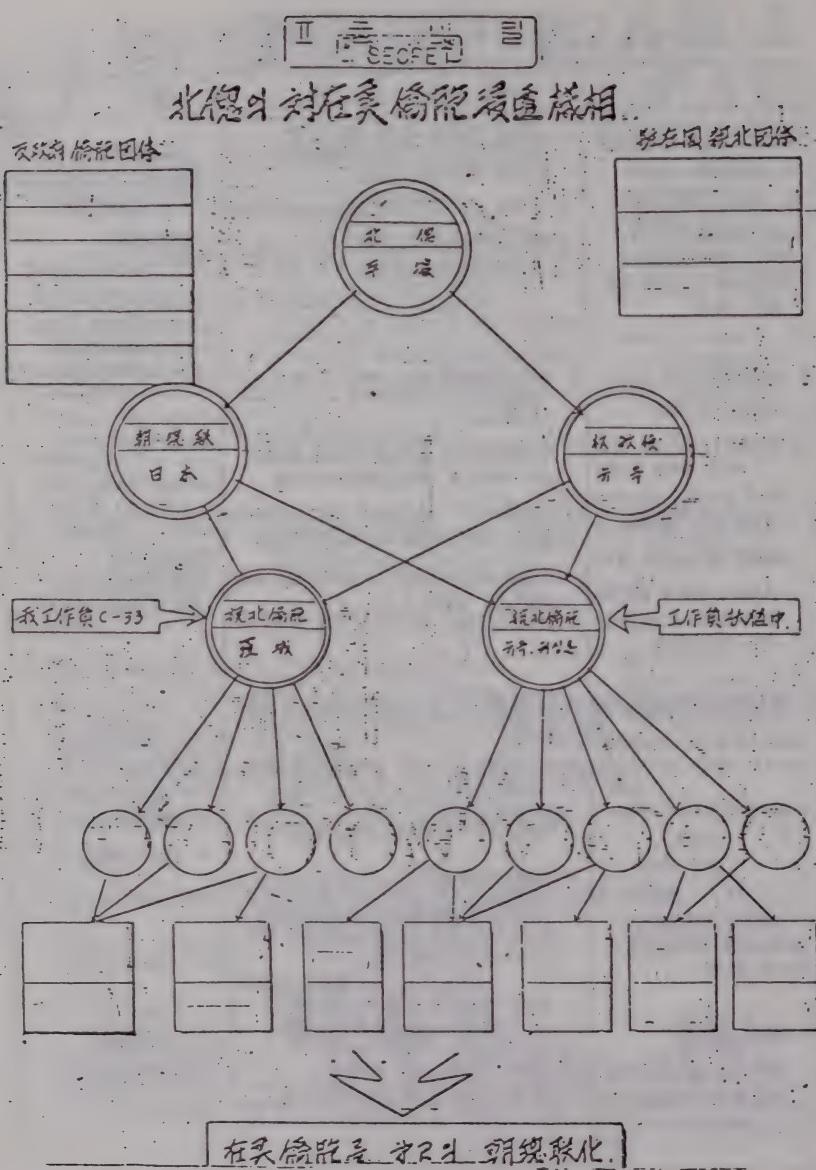
目 標	推進方針	備 考
1. 北韓對外政策與東北經濟 政策	本反朝及反共人系涉美國的把住 (北韓對外政策研究)	
· 反我及反共人外政策 論述進行討論	· 反 CIA 及 FBI 的研究	· 陳述文 + 0.6M (14.5M × 0.04M = 0.58M)
· 人權問題之研究及問題 在兩國反共政策研究	· 調研美國人及反共政策研究	
· 並研究北韓對外政策國際 政策研究	本反朝及反共人之反共運動 阻止其政治化	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 反共及反共人及反共人之反共運動 研究	· 陳述文 + 0.6M
·	· 反共及反共人及反共人之反共運動 研究	
2. 視聽失誤造成 政策改變及政策失誤 失誤的原因	本反朝及反共人之反共運動研究	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
· 大致四十年來對外政策動 向化原因及研究失誤原因	· (ABC 改變) - (起出十二三) (分析對外政策)	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
· 亂世原因及政策失誤 失誤原因失誤	-	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
· 外交政策研究失誤原因 失誤	-	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	-	
3. 遊說香港及中國 政策	本反朝及反共人之反共運動研究	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 政策失誤原因失誤	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 美國政策失誤原因失誤	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 政策失誤原因失誤	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 政策失誤原因失誤	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
4. 反共及反共政策失誤 失誤	本反朝及反共人之反共運動研究	· 亂世研究 + 0.6M (14.5M × 0.04M = 0.58M)
·	· 政策失誤原因失誤	
·	· 政策失誤原因失誤	
·	· 政策失誤原因失誤	

4. 學界 및 宗敎界之作

中西書局
SECRET

3. 僮民工作

目 标	推 进 方 案	备 注
1. 僮民及亲政府团体	1. 僮民组织育成方案 • 要求将团结组织化。 • 僮民对团体参与忠诚，技术要求较高。 • 组织体制要执行努力度很大。 <u>(足色的民族、社会)</u>	• 育成者： +200人×300元×12月=+7200 元 利益：元年、忠诚 • 育成费增加： +200人×300元×12月=+7200 元 利益：元年、忠诚 • 僮民组织费用：+12000 元 利益：忠诚、团结 +1200人×12月=+14400
2. 反政府团体(14) 人物(70名)	2. 反政府团体及人物对大陆反解 工作 • 反政府团体及人物影响深刻，核心 能力 强化及工作强度 大人化 • 反政府人物与 僮北人物 相互理解，协调 沟通，增强 影响力 及反大陆 • 反政府人物对 团体 生态 识别的二三 中国 影响 AM 僮北	• 反政府组织费： +500人×50元×12月=+96000 元 利益：元年、忠诚 & QF 利益：元年、忠诚 & 2名 +16名 • 反政府消费 航空 精勤金 活动 1600 原区 资助 及扶助费 + 800
3. 僮北团体(8)人物(30)	3. 僮北团体及人物对大陆反解 工作 • 僮北团体及人物对 动向深刻，高危 工作量 高值 • 僮北人物回归 通道，分类 适用工作 • 对北返航工作 (C-33 及 东瀛川派道) • 原家海归 经济情况 倾向 及 北患组织 对生者 技术后 美育 手术 三毛 偷渡 资金 国内 取款 金额 • 扶助对 反向 北往 反解工作 各 100 元 工作费	• (C-33) 工作量 高值 +300人×60元×12月=+36000 元 利益：元年、忠诚 & 2名 + 6名 + 1名 + 1名
4. 反共团体	4. 反共前街 组织编 搞成 • 原城、利公是、齐利明 各 20 名。 • 利治、利正、利 10 名。计 80 名。	• 政府组织费 80名×450元×12月=+43200



1976 PLAN FOR OPERATIONS IN THE UNITED STATES

(English Translation)

Note on the preparation of the Plan for public release:

In order to protect the privacy of individuals and to facilitate the continuing investigation, the names of all individuals and most organizations have been removed from this version of the Plan. The names of individuals have been replaced by letters typed in cursive script. These letters were assigned in the order in which the names occurred in the Plan and bear no other relationship to those names.

When an individual's name appears more than once, the same letter or group of letters is used each time the name appears, which explains the occasional repetition of a letter out of alphabetical order. After the entire alphabet was used the process was begun again, using double letters -- AA to ZZ. After the double letters were exhausted, the process was begun a third time, using AB, AC, AD to AZ.

The names of most organizations and some positions have been deleted or characterized in general terms when necessary to prevent unwarranted intrusions into the privacy of such groups, or to prevent the identification of individuals whose names have been deleted. All editorial changes made in the translated text in the course of preparing it for release are indicated in cursive script.

1976 Plan for Operations in the United States

Reported to:	
Director	12/15/75
Assistant Deputy Director	12/11/75

handwritten notation?

Operational Objectives

1. Blocking the Northern Puppet's attempts at direct contact with the US and frustrating attempts to increase pro-North influence in America.
2. Strengthening the execution of the US security commitment to the ROK and ROK-US ties.
3. Frustration and disruption of the Northern Puppet's infiltration of Korean residents in the US.

Operational Guidelines

1. Operations against the North
 - * Frustrate the Northern Puppet infiltration of US Government organs.
 - * Frustrate the Northern Puppet's illicit connections with American left-wing forces and attempts to organize an international united front for the purpose of isolating the ROK.
 - * Early detection and disruption of the Northern Puppet operations network which has infiltrated the US Government and people and the Korean resident community.
2. Operations Relating to the US
 - * Guarantee the efficacy of the US public promise to defend the ROK.
 - * Organize forces supporting the ROK in all circles in the US and transform anti-ROK public opinion.
 - * Strengthen the structure of ROK-US mutual cooperation.
3. Operations Relating to Korean Residents
 - * Absolutely prevent the 2nd chosorenization* of Korean residents in the US.
 - * Co-opt and disrupt core elements of anti-government and pro-North forces.
 - * Strengthen forces which positively support the Yushin System.

*Chosoren is the name of the large, well-organized and powerful pro-North Korean residents' association in Japan.

1. Operations against the North

2

The Situation	The Plan to be Promoted	Remarks
1. The Northern Puppet Attempts at Direct Contact with the US	<p>1. Frustration of Direct Contact Between the US and the Northern Puppets</p> <ul style="list-style-type: none"> * Proposing the theory of a peace agreement with the US <ul style="list-style-type: none"> - A verbal promise from the US administration not to engage in unilateral contact with the Northern Puppets * Attempt to Infiltrate the US Congress <ul style="list-style-type: none"> - Attempts to send letters to the US Congress and to individually approach Congressmen (Rep. A, Rep. B) * The Possibility of revoking the ban on travel to the Northern Puppets (Cuba, Vietnam) <ul style="list-style-type: none"> # Find out the US Congressmen who are in contact with the Northern Puppets and obstruct for the time being Rep. B's approach to the Northern Puppets 	<ul style="list-style-type: none"> * On the matter of ordinary diplomatic recognition coordinate with the ambassador * Survey the movements of the Northern Puppets' diplomatic mission at the UN and make use of the results
	<p>2. Formation of a united front of anti-ROK factions of the US, Japan, and Northern Puppets</p> <ul style="list-style-type: none"> * Reduction of US aid is a joint objective 	<p>2. Frustration of the organizational maneuvering of the anti-ROK Forces</p> <ul style="list-style-type: none"> * Cut off collaboration between the Japanese left wing and the American liberal-progressive and anti-war groups * Intensify the results of operations in academic, media and religious circles

1. Operations against the North (continued)

3

The Situation	The Plan to be Promoted	Remarks
- US liberal and progressive group (reduce US intervention in ROK)	- Invite influential scholars and media people to visit Korea	
- Left wing in Japan (exercise influence on ROK)	- Expose the fact of Northern Puppets financial support of the Japanese left wing	* The necessity to strengthen exchange of intelligence with US intelligence agencies
- Northern Puppet financial support (promotion of activities)	- Cooperate with US intelligence organs to detect Northern Puppet connections	
* Creation of Anti-ROK public opinion	* Creation of Anti-ROK Public Opinion [sic]	
- Academic circles: US, Japan academic meetings	- Supply materials to pro-ROK middle-of-the-road scholars and neutralize the atmosphere of academic meetings	
- Media circles: Anti-ROK economic books and articles	- Attack and refute the one-sidedness of anti-ROK articles and essays	
- Religious circles: Denunciation of the suppression of human rights (WCC)	- Publish pro-ROK articles and essays	
* Northern Puppet's direct propaganda operations	* Expose the fallacies of Northern Puppet propaganda	
- Attempts to broaden the pro-Northern Puppet base (Kim Il Sung advertisements)	- Refute Northern Puppet advertisements (supply materials to Pro-ROK scholars)	
- Invitations to notables in all fields to visit the North	- Utilize scholars who have visited North Korea	

1. Operations against the North (continued)

4

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The Situation	The Plan to be Promoted	Remarks
# Co-opt the "name deleted" research institute. Protest and refute Northern puppet ads in US newspapers		* In order to hide their connections with the Northern Puppets pro-Northern Puppet forces in the US disguise themselves as anti-government forces and secretly maneuver
3. Pro-Northern Puppet organization in the US	3. Absolute prevention of a 2nd chosorenization of the Korean residents in America	
* Pro-North organizations and people		* Increasingly implant operatives in the underground organization of pro-North and anti-government Korean residents - Detect plans, search out the organization, block and destroy their operations
* names of 2 organizations deleted, etc.		* Disintegration of pro-Northern Puppet organization within the US
* organization name deleted		- Utilize anti-communist groups -- names of 2 organizations deleted, etc.
* Attempts at a 2nd chosorenization		
# Win over to our side Northern Puppet underground operatives in the LA area		
# The possibility that C and D have Northern Puppet connections		

1. Operations against the North (continued)

5

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The Situation	The Plan to be Promoted	Remarks
4. Northern Puppet Diplomatic Mission to the UN	4. Detect the movements of the Northern Puppet Diplomatic Mission and cause their operations to disintegrate	* Operation fund \$6,000 (\$500 X 1 person X 12 months)
* Operational base for Northern Puppet infiltration in the US	* Strengthen the network for observation of Northern Puppet Diplomatic Mission movements	* Collaborators: \$7,200 (\$200 X 3 people X 12 months)
* Directorate of Northern Puppet operations at the UN	# Acquire a full grasp of and stop the operation at the UN and the movement to infiltrate the US	- Detection of their movements and constraint of their activities
* The conditions for long-term espionage and short-term operations against the North	* Strengthen cooperation with UN Secretariat personnel	* Promote short-term operations and long-term espionage operations against the North
# Winning over the key personnel in the (country name deleted) diplomatic mission		* Long-term spy against the North (1 operation): \$6,600
* The Communist side's resolution plan		Short term against the North (2 operations): \$4,000
* Operations to change voting attitudes		

2. Operations in Nation of Residence

A. Operations in the Congress

Target				The Plan to be Promoted				Remarks
1. Democratic Party Forces In the Congress				1. Win over the key forces of the Democratic Party policy research committee				* Regular contact \$7200 # Representatives 4 Specialists 4
Dem. Rep. Total				title	Mem- bered	Research- ers	Special- ists	
Senate 62	38	100		Senate Sen.	6	7	9	* Invitations to visit Korea \$14,600; 4,000,000W
House 290	145	435		House Rep. F	11	12	4	* Special Manipulation: \$6,000 (\$1,500 X 4 people)
# The Administration's authority is diminished (In the House they exceed two-thirds)				# Increase pro-ROK Forces; induce pro-ROK policy				
# During 1975 we firmed up the basis of cooperation with the policy research committee of the Republican Party. (2 representatives and 13 aides visited Korea.) Newly won over: Senate - 8 members House - 18 members				2. Co-optation of the Key forces of the liberal-progressive faction				* Regular contact \$14,400 (\$100 X 12 persons X 12 months) No. of Subjects of Co-optation
2. Key forces of the liberal-progressive faction				Important Individuals				
Dem. Rep.				Senate 5				* Invitations to visit Korea \$14,600, 4,000,000W
Senate 20	10			House 7				
House 143	11							

A. Operations in the Congress (continued)

Target	The Plan to be Promoted	Remarks												
# DSG members 203	# The principal targets are key members, aides, and specialists	# 3 members 5 aides												
# Manipulation and co-optation by dispatched officials - 12	# Congressional Aide G, Rep. H, Rep. I, etc. utilize constituents of members to be co-opted.	* Special manipulation \$9,000 (\$1,500 X 6 people)												
* Progressive Faction members to visit Korea - 10 (Intelligence officer contacted - 6)	* Support for campaign funds \$5000 X 1 = \$5000 (Dinner for Rep. J)													
3. Anti-ROK Members	3. Conversion of anti-ROK members	* Regular contact \$10,000												
	<table border="1"> <thead> <tr> <th></th><th>No. of Members</th><th>Subjects of Conversion</th></tr> </thead> <tbody> <tr> <td>Senate</td><td>2</td><td></td></tr> <tr> <td>House</td><td>7</td><td></td></tr> </tbody> </table>		No. of Members	Subjects of Conversion	Senate	2		House	7		* Support for campaign funds \$15,000 (\$5000 X 3 people)			
	No. of Members	Subjects of Conversion												
Senate	2													
House	7													
	<table border="1"> <thead> <tr> <th></th><th>Dem. Rep.</th><th>Important Individuals</th></tr> </thead> <tbody> <tr> <td>Senate</td><td>10</td><td>3</td></tr> <tr> <td>House</td><td>18</td><td>1</td></tr> </tbody> </table>		Dem. Rep.	Important Individuals	Senate	10	3	House	18	1	# Sen. K, Rep. L, illegible, (Rep. B)			
	Dem. Rep.	Important Individuals												
Senate	10	3												
House	18	1												
# I/O is in the process of contacting and converting: 2 people														
Rep. B, Rep. A														
# Northern Puppet contact detected:														
Rep. M, etc. _____ persons														
4. Members Already Contacted														
	<table border="1"> <thead> <tr> <th></th><th>Pro-ROK</th><th>Interested</th><th>Total</th></tr> </thead> <tbody> <tr> <td>Senate</td><td>18(7)</td><td>8(1)</td><td>26(8)</td></tr> <tr> <td>House</td><td>36(15)</td><td>34(21)</td><td>70(36)</td></tr> </tbody> </table>		Pro-ROK	Interested	Total	Senate	18(7)	8(1)	26(8)	House	36(15)	34(21)	70(36)	* Utilization of Jewish lobbyists \$1200
	Pro-ROK	Interested	Total											
Senate	18(7)	8(1)	26(8)											
House	36(15)	34(21)	70(36)											

A. Operations in the Congress (continued)

Target	The Plan to be Promoted	Remarks
# I/O has contact with 44 members - 18 members to visit Korea	A. Continue contact with members interested in Korea and create friendly relations (22 persons)	* Countermeasures and letter campaigns against hearings (\$3000)
# Newly created friendly relationships: 32	B. Create a pro-ROK atmosphere and promote understanding of the ROK	* Support for campaign funds; separate plan
# Pro-ROK statements (in Congress) 16 times	* Pro-ROK statements, discussion meetings, showing of movies, distribution of materials	
# Utilize in countermeasures against human rights hearings	* Write letters, distribute publicity materials	
	* Operations to counter various kinds of hearings	
5. Important organizations within the Congress	5. Implantation of a network of collaboration	
# Office of the speaker [Senate and House], office of secretariat	A. Hire paid collaborators; 3 persons	* Pay for collaborators \$18,000 (\$500 X 3 persons X 12 months)
# Standing committees; Foreign Relations, Armed Services, Ways and Means	# Collection of intelligence; development of the conditions for contacting members	* Expenses for Regular contract \$6000 (\$50 X 10 persons X 12 months)
# Aides and Specialists	B. Targets for the implantation of an intelligence network (additionals)	# Targets for new co-optation in 1976; 40 persons
# Collaborators already secured: 40	* Senate: Office of Secretariat, Foreign Relations Committee, Armed Services Committee, Finance Committee	* Members: 25 (Senate 6, House 18, aides, specialists: 15)
# Senate: <i>illegible, illegible, etc.</i> 7 persons		

A. Operations in the Congress (continued)

Target	The Plan to be Promoted	Remarks
* House: Congressional Aide G, Congressional Aide N, etc. 31 people	* House: International Relations, Foreign Aid Subcommittee, Armed Services	
	* Organizations of Members, aides, specialists; 4 units	

B. Operations in the Executive Branch

10

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Target	The Plan to be Promoted	Remarks
1. White House * NSC	A. Implantation of an intelligence network in the White House * Q, concerned with Far Eastern Affairs in the NSC * R, a White House military aide * S, an NSC specialist * White House aide O	* Manipulation \$3,600 expenses (\$100 X 3 persons X 12 months = \$3600) * Expenses for gifts \$450 (\$50 X 3 persons X 3 times = \$450)
* White House Staff # White House Aide O # White House Aide P	B. Utilize White House reporters to approach and gather intelligence * Utilize special correspondents T, U, and V -- reporters for Korean newspapers * Co-opt and utilize reporters of influential US papers (WP, CSM)	
2. State Dept. (Responsibility of the Ministry of Foreign Affairs)	A. Strengthen and broaden the intelligence network * Office of Assistant Secretary of State for East Asian and Pacific Affairs	* Expenses for manipulation \$3600 (\$100 X 3 persons X 12 months) * Expenses for gifts \$450 (\$50 X 3 persons X 3 times)

B. Operations in the Executive Branch (continued)

11

530

Target	The Plan to be Promoted	Remarks
* Bureau of Political and Military Affairs * Bureau of Intelligence and Research	* Create friendly relations with X in the Bureau of Politico-Military Affairs	
* Office of Assistant Secretary of State for International Organizations # Continue to contact Z and AA	* Y, in the Bureau of Intelligence and Research	
# Y, Bureau of Intelligence and Research	B. Encourage vigilance toward the Northern Puppets and induce pro-ROK policies by supplying materials concerning ROK and the Northern Puppets	
	* Supply materials such as <u>East Asian Review</u> , etc.	* Manipulation Expenses \$3600 (\$100 X 3 people X 12 months)
3. Department of Defense	A. Concentratedly infiltrate the Military Assistance Division under the Assistant Secretary for International Security	* Gift expenses: \$450 (\$50 X 3 people X 3 times)
* Department of Defense, Military Assistance Division	* Utilize the Military Attaches	
* Office of Policy Planning of JCS	* CC in the Korean Section	
* Defense Intelligence Agency	* DO in Military Assistance	
# High ranking official BB	B. Collect US Far Eastern Military Strategy by infiltration of the Joint Chiefs' of Staff Office of Policy Planning	

B. Operations in the Executive Branch (continued)

12

531

Target	The Plan to be Promoted	Remarks
4. CIA	<ul style="list-style-type: none"> * EE in the Far Eastern Section * FF in the Far Eastern Section 	
# Korean Section	<ul style="list-style-type: none"> * HH, with responsibilities relating to Korea 	
# First Bureau Chief and Psych War Bureau Chief visit USCIA	<ul style="list-style-type: none"> * II, with responsibilities relating to Korea 	
# 10 Key members of USCIA including Deputy Director to visit our Agency	<ul style="list-style-type: none"> * JJ, with responsibilities relating to Korea * KK, with responsibilities relating to Korea 	
B. Exchange visits by key personnel	<ul style="list-style-type: none"> (2 people) 	
5. FBI	# Upon consulting with the USCIA, decide on personnel selections	
A. Create and strengthen the foundations for cooperation	<ul style="list-style-type: none"> * Manipulation expenses: \$2,400 (\$100 X 2 people X 12 months) 	

B. Operations in the Executive Branch (continued)

13

532

Target	The Plan to be Promoted	Remarks
# Supply information on the movements of <i>N</i> , a Korean resident who should receive special attention	* FBI employee LL with responsibility related to Korean residents * <i>M</i> in the Investigation Division of FBI Headquarters	* Gift expenses: \$200 (\$50 x 2 people x 2 times)
# Supply information on anti-government demonstrations	B. Strengthen intelligence exchange * Northern Puppet movement to infiltrate Korean residents * Illegal activities of Northern Puppets in the US	

C. Operations in Media Circles

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Target	Plan to be Promoted	Remarks
1. Frustration of Northern Puppet infiltration of US media circles * The rising tide of an anti-ROK editorial trend among US anti-war journalists * The transformation of the anti-ROK editorial line from human rights problems to criticism of economic problems * Point out international propaganda and slander which plans to isolate the ROK # Invite OO and PP to Korea and co-opt them	A. Grasp the lineage and movements of anti-war journalists (Indicate connections with the Northern Puppets) * Manipulate Names of 2 organizations deleted * Co-ordinate with the USCIA and FBI * Utilize pro-ROK US journalists and correspondents. B. frustrate and transform anti-ROK activities of anti-war organizations and journalists * Infiltrate and approach anti-war organizations and organizations supporting anti-war journalists - Organization name deleted * Invite anti-ROK journalists and key staff or organizations supporting them to visit Korea * Expose the fallacies of anti-ROK slander and propaganda (co-ordinate with the "Public Relations Institute") - Utilize the "name deleted" research institute	* Manipulation Expenses \$9600 (\$200 X 4 people X 12 months) * Air fare \$6,600 (\$1,100 X 3 people X round trip = \$6,600) * Manipulation Expenses 700,000W - Research Institute for Korean Affairs (QQ)

C. Operations in Media Circles (continued)

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Target	The Plan to be Promoted	Remarks
<p>2. Creation of pro-ROK public opinion horizontal co-ordination between the "P.R. Institute" in America and the publicity measures committees of the Embassy and Consulates</p> <ul style="list-style-type: none"> * Supervise and push the carrying out of His Excellency the President's guidelines to strengthen publicity activities in the US * Support from the side the activities of the "P.R. Institute" (NY) and the publicity measures committees * Augment and strengthen weak points in publicity in the US # Convert and manipulate 6 American journalists including <i>WW</i> (WP) journalists including <i>WW</i> (WP) 	<p>A. Invite influential US journalists to visit Korea and convert them</p> <ul style="list-style-type: none"> * RR (ABC) * SS (Columnist) * TT (NY Times reporter) * UU (NY Times reporter) <p>- Co-ordinate with the "P.R. Institute" in the US; create a foundation for continued utilization</p> <p>B. Hire and utilize 2 American reporters as paid collaborators</p> <ul style="list-style-type: none"> * Search among the reporters of influential papers (WP, CSM) * Collect intelligence on the policies of high level US officials <p>A. Manipulate newspaper name deleted (<i>WW</i>) to hire one American reporter and utilize him.</p> <ul style="list-style-type: none"> * Expand the basis of sources for intelligence collecting <p>* Strengthen the intelligence network in US media circles</p>	<ul style="list-style-type: none"> * Air fare \$11,000 (\$1,100 X 5 people X round trip = \$11,000) * Manipulation Expenses: 1,500,000W (300,000W X 5 people = 1,500,000W) * A matter for the Psychological Warfare Bureau * Pay for paid collaborators \$12,000 (\$500 X 2 persons X 12 months = \$12,000) * Pay for American reporter \$12,000 (\$1000 X 12 months) * American reporter's operation expenses: \$2,400 (\$200 X 12 months = \$2400) * Co-optation and manipulation expenses for Korean resident's media \$21,600 (\$300 X 6 months X 12 months = \$21,600)
<p>3. Utilize Korean Residents' Media</p> <p># <i>WW</i> (newspaper name deleted)</p> <p># XX (broadcasting organization name deleted)</p>		

C. Operations in Media Circles (continued)

Target	The Plan to be Promoted	Remarks
4. Strengthen utilization of Korean correspondents in the US # T [newspaper name deleted] # U [newspaper name deleted] # VV [newspaper name deleted]	<ul style="list-style-type: none"> B. Guide and cultivate Korean residents newspapers, radio and TV * Co-ordinate with the publicity measures committees of the Embassy and Consulates A. Utilize fronts in operations to co-opt US media circles B. Actively manipulate transmission of articles for domestic publicity consumption C. Utilize Korean correspondents in the early acquisition of intelligence on US policy toward ROK 	<ul style="list-style-type: none"> *Expenses for utilization and manipulation: \$7,200 (\$200 X 3 people X 12 months)

Target	The Plan to be Promoted	Remarks
1. Academic Circles		
A. Convert anti-ROK scholars in US academic circles	A. Invite anti-ROK American scholars to visit Korea and co-opt (2 persons) * 22 (Harvard U)	* Manipulation Expenses: \$1200 (\$100 x 1,200)
* Anti-ROK trends continually appear	* AB ("name deleted" research institute) # Co-ordinate with Psychological Warfare Bureau	* Invitations to visit Korea * Air fare \$4,400 (\$100 x 2 persons x 2 ways = \$4400)
* They conspire with anti-government Korean residents	B. Supply materials about ROK and Northern Puppets such as <u>East Asian Review</u> , promote understanding of the ROK's situation	* Accommodations and Manipulation Expenses 600,000₩ (300,000₩ x 2 persons = 600,000 ₩)
# Manipulate and co-opt 00		
# Manipulate 12 American scholars including <i>illegalle</i>		
B. Frustrate Northern Puppet infiltration of American academic circles	A. Cause the disintegration of the holding of pro-Northern Puppet academic meetings	* Operations Expenses \$7,200 (\$200 x 3 persons x 12 months = \$7,200)
* The operation to help pro-Northern Puppet academic meeting by Santa Barbara conference members	* Co-ordinate with US State Dept., FBI, and CIA. Fully grasp the movement to hold pro-Northern Puppet academic meetings	
* Counter-utilize anti-ROK academic meetings in American academic circles	* Frustrate holding academic meetings by using pro-ROK American scholars and Korean resident scholars	
* Supply funds to American academic circles	* Diminish results by exposing Northern Puppet connections	

Target	The Plan to be Promoted	Remarks
# Invite Korean resident scholars to visit North Korea and co-opt them	<ul style="list-style-type: none"> * Frustrate Northern Puppet attempts by inducing participation by pro-ROK scholars 	
# American-Japanese academic meeting sponsored by Stanford University	<ul style="list-style-type: none"> B. Promote short term operations against Northern Puppets 	
	<ul style="list-style-type: none"> * Counter-utilize Northern Puppet's contact with Korean scholars resident in the US 	
	<ul style="list-style-type: none"> * Utilize pro-ROK resident scholars (AC, and AD) 	
C. Manipulate to hold pro-ROK academic meetings with Dr. AE of Georgetown University	<ul style="list-style-type: none"> A. Utilize Dr. AE of Georgetown University. Hold pro-ROK security issues seminar, publish a book 	<ul style="list-style-type: none"> * Expenses to hold seminar \$20,000
# On May 3, 1975, this agency already invited and manipulated him	<ul style="list-style-type: none"> * Expenses for publication of the public relations book \$8000 (\$4 x 2000 copies = \$8000) 	
	<ul style="list-style-type: none"> * Induce the participation of prominent US scholars and high level government officials 	
	<ul style="list-style-type: none"> * Manipulate the media to report the results of the seminar 	
	<ul style="list-style-type: none"> * Make a book of the results of the seminar and distribute 	
	<ul style="list-style-type: none"> B. Hold academic meetings utilizing the Research Institute for Korean Affairs 	

D. Operations in Academic and Religious Circles (continued)

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Target	The Plan to be Promoted	Remarks
D. Utilize Korean resident scholars	A. Invite influential Korean resident scholars to visit Korea (2 people)	* Air fare: \$4400 * Manipulation Expenses: 600,000₩
* Utilize pro-ROK scholars, induce them to participate in seminars and make pro-ROK statements	* AF (<i>university name deleted</i>) B. Maneuver to get the "P.R. Institute" in the US (AK) to consider plans for publishing public relations books utilizing the Research Institute for Korean Affairs and C	* (<i>eligible</i>) materials: \$2400 (\$20 X 10 persons X 12 months = \$2400)
# Publish political P.R. books for the US	C. Actively manipulate Korean resident scholars to participate in various kinds of research seminars. Create pro-ROK statements and a pro-ROK atmosphere	* Research Institute's annual operational expenses: \$88,000
# Create a basis for Korean studies in US academic circles	D. Realize collaboration between the Research Institute for Korean Affairs and GWU	* Expenses for collaboration with GWU: \$50,000
# Our agency should invite 43 Korean resident political scientists and co-opt them	* Make the operation efficient	
# Manipulate 6 people including Prof. AH		
2. Religious Circles		
A. Strengthen pro-ROK foundation in US religious circles	A. Invite important leadership class persons of the American Methodist and Presbyterian churches to visit Korea (2 persons with their wives)	* Air fare \$8,800 (\$2,200 X 4 people = \$8,800)
# Manipulate Rev. AJ of the Southern Baptist Church and the 359-member Baptist church evangelical group which is to visit Korea	# Manipulation Expenses (300,000₩ X 2 persons = 600,000₩) * Dr. AK of the International Missionary Section of the Presbyterian Church in the southern part of the US	* Manipulation Expenses (300,000₩ X 2 persons = 600,000₩)

Target	The Plan to be Promoted	Remarks
# Manipulate Rev. AL of the Holiness Church	<ul style="list-style-type: none"> * #M of the overseas Missionary Board of the National Headquarters of the American Methodist Church B. Strengthen utilization of already pro-ROK religious figures * Baptist Church: Rev. AJ * Holiness Church: Rev. AL B. Utilization of Korean resident religious circles 	<ul style="list-style-type: none"> * Expenses to manipulate A7: \$3,600 Materials and operation expenses (\$300 X 12 months = \$3600) * Air fare: \$3,380 (\$845 X 2 persons X 2 ways = \$3,380)
# Manipulate 30 ordained Korean resident Christian ministers including A0	<ul style="list-style-type: none"> A. Utilize A7 of a Korean language religious newspaper; utilize and suppress anti-government Christians B. Invite influential resident religious leaders to visit Korea (2 persons and co-opt the church) C. Expenses for manipulation of churches in various areas (select 50 churches, Washington, New York, Los Angeles, San Francisco, Chicago, Houston) 	<ul style="list-style-type: none"> * Manipulation Expenses: 600,000₩ * Manipulation Expenses for churches in various areas \$30,000 (50 churches X \$50 X 12 months)

Target	The Plan to be Promoted	Remarks
1. Residents and pro-government organizations	1. Organize, cultivate, and guide the residents	* Cultivation expenses \$200 X 3 areas X 12 months = \$7200
A. No. of residents: 235,000	* Strengthen the fabric of pro-government organizations	# Washington, New York, Los Angeles
B. No. of pro-government organizations: 105	* Instill willingness in the residents to participate in organizations and formulate a focal point	* Additional cultivation Expenses \$200 X 3 areas X 12 months = \$7200
* Promote unity of pro-government forces by holding events such as anti-communist rallies in commemoration of the Korean War and celebration of National Liberation Day	* Expand the basis of the forces supporting the <u>Yushin</u> system	# San Francisco, Chicago, Houston
2. Anti-government Organizations (14) Personnages (70 persons)	* Publish a "black newspaper" (New York)	* "black newspaper's" publishing expenses: \$14,400
* Hannington (Washington, New York, Los Angeles, San Francisco, Chicago, Houston)	* Salary for editorial staff: \$300/month	Salary for editorial staff: \$300/month
* S. Cal. Congress for the Restoration of Democracy in Korea	* Printing and distribution expenses etc. \$900/month	Printing and distribution expenses etc. \$900/month
* Research Society for Korean Resident's Problems (LA)	* Salary for collaborators \$500 X 16 X 12 months = \$96,000	Salary for collaborators \$500 X 16 X 12 months = \$96,000
* Broaden and strengthen the operational network for detection of anti-movements and isolation of key forces	# Washington, New York, Los Angeles : 4 persons each, San Francisco and Chicago: 2 persons each Total 16 persons	# Washington, New York, Los Angeles : 4 persons each, San Francisco and Chicago: 2 persons each Total 16 persons
* Weaken or disrupt the forces by causing mutual alienation and promoting infighting between the anti-government people and the pro-North people	* Expenses for invitations to visit Korea. Subsidies for air fares: \$1600. Subsidies for accommodation expenses and manipulation expenses 800,000W	* Expenses for invitations to visit Korea. Subsidies for air fares: \$1600. Subsidies for accommodation expenses and manipulation expenses 800,000W

Target	The Plan to be Promoted	Remarks
<ul style="list-style-type: none"> * Weaken the forces by causing alienation, disintegration and in-fighting among anti-government personages and organizations. 	<ul style="list-style-type: none"> * Co-opt anti-government people by causing them to visit the motherland in groups or individually 	<ul style="list-style-type: none"> * Salary for operatives \$500 6 people X 12 months = \$36,000
<ul style="list-style-type: none"> 3. Pro-North Organizations (8) Personages (30) * organization name deleted (NY) * organization name deleted (NY) * Pro-North personages in LA area * organization name deleted (NY) * organization name deleted (NY, San Francisco) * organization name deleted (San Francisco) 	<ul style="list-style-type: none"> 3. Operate to cause the disintegration of pro-North organizations and personages * Implant agents to detect the movements of pro-North organizations and personages * Operate to cause alienation disintegration, and infighting between pro-North personages (AP, AQ, AR) * Short term operations against the North (Dispatch C-33 to Pyongyang) * After collecting evidence of illegal activities and grasping the whole picture of the Northern Puppets organization, cause it to disintegrate by exposing in influential US newspapers or by furnishing information to US intelligence or investigative agencies 	<ul style="list-style-type: none"> # 2 persons each in Washington, New York, and Los Angeles # Also consider San Francisco

Get a full grasp of the Northern Puppet organization, lineage and movements in the US by infiltrating our agent C-33

- * Get a full grasp of their movements and operate to cause their destruction by implanting one operative in each of three organizations the names of which are deleted

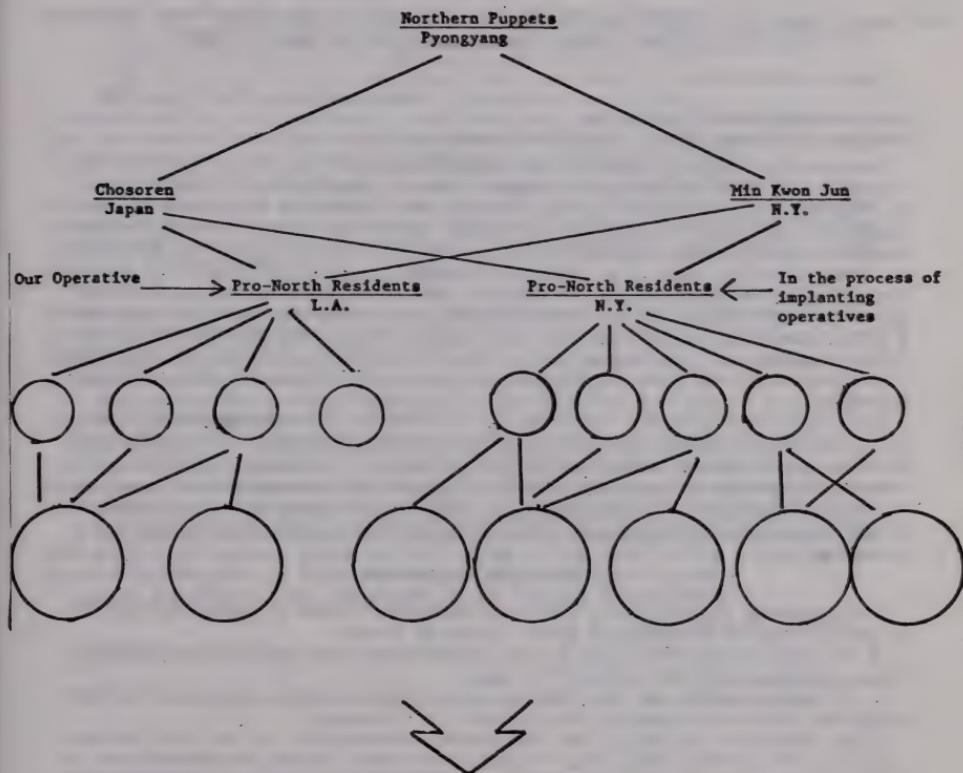
3. Operations Relating to Korean Residents (continued)

Target	The Plan to be Promoted	Remarks
4. Anti-Communist Organizations * Ex-Marine Assn. in the US (LA) * US Branch of the Korean Athletic Assn.	4. Formulation of an organizational network of anti-communist fronts * 20 people each in Los Angeles, Washington, New York * 10 people each in San Francisco and Chicago Total 80	* Salary for collaborators 80 people X \$50 X 12 months = \$48,000

THE STATE OF INFILTRATION OF KOREAN RESIDENTS IN THE U.S.
BY THE NORTHERN PUPPETS

Anti-government Residents' Organizations

Pro-North Organizations in the U. S.



IV. ECONOMIC RELATIONS

A. GENERAL

86. Letter from U.S. Ambassador Winthrop G. Brown to Lee Tong Won, Minister of Foreign Affairs, Republic of Korea, dated March 4, 1966

SEOUL, KOREA, March 4, 1966.

His Excellency LEE TONG WON,
Minister of Foreign Affairs, Republic of Korea, Seoul.

EXCELLENCY: Your Excellency has advised me that the Government of the Republic of Korea has received a request from the Government of the Republic of Vietnam for deployment to the Republic of Vietnam of additional Korean combat troops. Your Excellency has further stated that your Government has decided to provide the requested assistance to the Government of the Republic of Vietnam in the form of a regimental combat team to arrive in April and a division force to begin to arrive in July, subject to approval of the National Assembly in fulfillment of the constitutional processes of the Republic of Korea. I have noted your explanation that the decision of the Republic of Korea was taken because the Government of the Republic of Korea regards the front in Vietnam as a second front for the Republic of Korea, directly linked to Korea's security.

My Government warmly welcomes this decision by your Government to augment its already highly effective contribution to the Free World forces fighting in Vietnam. I am authorized to say that in view of our common interest in the security and progress of the Republic of Korea, the United States is prepared to take the following measures to see to it that the integrity of Korea's defense is maintained and strengthened and that Korea's economic progress is further promoted.

A. MILITARY ASSISTANCE

1. To provide over the next few years substantial items of equipment for the modernization of Republic of Korea forces in Korea.
2. To equip as necessary, and finance all additional won costs of, the additional forces deployed to the Republic of Vietnam.
3. To equip, provide for the training and finance complete replacement of the additional forces deployed to the Republic of Vietnam.
4. To contribute to filling the requirements determined by our two Governments to be necessary, following completion of a joint United States-Republic of Korea study, for the improvement of the Republic of Korea anti-infiltration capability.
5. To provide equipment to expand the Republic of Korea arsenal for increased ammunition production in Korea.
6. To provide communications facilities for exclusive Republic of Korea use, the character of which is to be agreed between United States and Republic of Korea officials in Seoul and Saigon. These facilities will meet requirements for communication with your forces in the Republic of Vietnam.
7. To provide four C-54 aircraft to the Republic of Korea Air Force for support of Republic of Korea forces in the Republic of Vietnam.
8. To provide for the improvement of military barracks and bachelor officers quarters and related facilities for troop welfare such as cooking, messing, sanitation and recreational facilities from proceeds of the Military Assistance Program (MAP) excess sales.
9. To assume the costs of overseas allowances to these forces at the scale agreed between General Beach and Minister of National Defense Kim Sung Eun on March 4, 1966.
10. To provide death and disability gratuities resulting from casualties in Vietnam at double the rates recently agreed to by the Joint United States-Republic of Korea Military Committee.

B. ECONOMIC ASSISTANCE

1. To release additional won to the Korean budget equal to all of the net additional costs of the deployment of these extra forces and of mobilizing and maintaining in Korea the activated reserve division and brigade and support elements.

2. To suspend the MAP transfer program for as long as there are substantial Republic of Korea forces, i.e., at least two divisions, in the Republic of Vietnam, with offshore procurement in Korea in United States fiscal year 1967 of items suspended in fiscal year 1966 plus those on the fiscal year 1967 list.

3. (a) to procure in Korea insofar as practicable requirements for supplies, services and equipment for Republic of Korea forces in the Republic of Vietnam and to direct to Korea selected types of procurement for United States and Republic of Vietnam forces in the Republic of Vietnam in cases in which:

- i. Korea has the production capability.
- ii. Korea can meet specifications and delivery schedules.
- iii. It may be reasonably determined that Korean prices are fully competitive with other possible sources in the Far East, and
- iv. The procurement conforms in other respects to the regulations and procedures of the United States Department of Defense.

Supplies, services and equipment which meet this definition will be listed on a "natural source" list from which procurement will be made exclusively from Korean sources without soliciting bids from non-Korean producers.

(b) To procure in Korea, in competition only with United States suppliers, as much as Korea can provide in time and at a reasonable price of a substantial amount of goods being purchased by the Agency for International Development (AID) for use in its project programs for rural construction, pacification, relief, logistics, and so forth, in the Republic of Vietnam.

(c) To the extent permitted by the Republic of Vietnam, to provide Korean contractors expanded opportunities to participate in construction projects undertaken by the United States Government and by American contractors in the Republic of Vietnam and to provide other services, including employment of skilled Korean civilians in the Republic of Vietnam.

4. To increase its technical assistance to the Republic of Korea in the general field of export promotion.

5. To provide, in addition to the \$150 million AID loans already committed to the Republic of Korea in May, 1965, additional AID loans to support the economic development of the Republic of Korea as suitable projects are developed under the same spirit and considerations which apply to the \$150 million commitment.

6. If justified by performance under the 1966 Stabilization Program, to provide \$15 million of Program Loans in 1966, which can be used for the support of exports to the Republic of Vietnam and for other development needs.

Accept, Excellency, the assurances of my highest consideration.

WINTHROP G. BROWN.

87. Memorandum of Understanding between David M. Kennedy and Lee Nak-sun, dated October 16, 1971

October 16, 1971

Dear Mr. Minister:

In accordance with our discussions the following supplemental economic assistance will be extended to the Government of the Republic of Korea as follows:

Development Loans

Since 1969 the U.S. Government has reduced its development loan program in Korea. Since the Korean economy has progressed, future planning of development loan levels, at this point, would normally decrease and be only on a case by case basis without any predetermined lending level. The U.S., however, is now prepared to make available \$100 million in development loans through US fiscal year 1975, in addition to commitments already made. This amount would be subject to normal Congressional appropriation process and the ability of individual loan proposals to meet development and authorization criteria. By assuring the Government of the Republic of Korea that we will make available up to \$100 million in loans in support of the third five year plan, the Government by knowing in advance that this amount will be available from the US on concessional terms, can start early with feasibility studies and sector planning. No yearly limit or ceiling would be set, but loans would be provided within the overall five year ceiling for viable projects as they are submitted for consideration.

P.L. 480

The United States is prepared to increase the annual level of P.L. 480 agriculture sales and reduce the required currency payments in a manner which would increase the value of PL 480 programs to Korea over the next 5 years by \$275 million.

We estimate that the P.L. 480 programs instead of being reduced can be increased to an increment of about \$175 million over the five year period above and beyond what would have been the case if the average level of P.L. 480 programs of recent years were maintained.

Sincerely yours,

(David M. Kennedy)

His Excellency
Lee Nak-sun

SUPPLEMENTAL AGREEMENT CONCERNING TRADE IN WOOL AND MAN-MADE
FIBER TEXTILE PRODUCTS

The Government of the Republic of Korea and the Government of the United States of America and other governments (all herein "participating country" or "participating countries"), recognizing the need to take cooperative and constructive action with a view to the orderly development of world trade in wool and man-made fiber textile products, have through their representatives agreed as follows:

1. The Government of the Republic of Korea and other governments will enter into agreements with the Government of the United States of America in the respective forms appended to this agreement limiting their exports to the United States of all wool and man-made fiber textile products, as defined in such respective forms of agreements.

2. Each participating country will take reasonable and appropriate measures to ensure that participating country exports of articles subject to the respective agreements are afforded market access in each participating country on terms no less favorable than those applied to similar articles exported under similar circumstances from non-participating countries and, in any case in which such exports of any non-participating country are causing or threatening to cause market disruption, to take such steps and impose such limitations as may be necessary to eliminate such disruption or the threat thereof.

3. The term of this agreement is five years beginning October 1, 1971. This agreement, by further agreement of the participating countries may be replaced with another multi-lateral agreement of broader international participation.

4. This agreement may be executed in separate counterparts, each of which will be deemed an original.

Executed and to be effective as of the day of
1971.

Government of the
United States of America

Government of the
Republic of Korea

MEMORANDUM OF UNDERSTANDING

Representatives of the United States of America and the Republic of Korea have reached the following understandings regarding limitations on exports of wool and man-made fiber textiles from the Republic of Korea to the United States:

1. The Government of the Republic of Korea will limit annual exports of wool and man-made fiber textile products from the Republic of Korea to the United States for a five year period beginning October 1, 1971. All exports made prior to October 1, 1971 are exempt from this agreement.

2. The five year annual limits for man-mades shall be developed from a base level of 313 million square yards with growth compounded so that the average annual growth for the five years does not exceed 7.5 percent per annum. The first year may not exceed a growth of 10 on the base. The annual limits for wool textiles shall be developed from a base of 7 million square yards equivalent with growth compounded at 1% per annum for each of the five years.

3. The agreement shall contain separate annual aggregate limits for man-made fiber textile products and wool textile products. Each of these aggregate limits shall be divided into group limits based on the United States textile category system, with separate groups as follows: I Fabrics, II Apparel, III Other.

4. The limits for the groups and categories shall be based on the proportionate share of United States imports in that group to total imports in the twelve months ending September 30, 1971, provided; however, that the U.S. will consider several leading items on the basis of actual trade for the twelve month period ending September 30, 1971, and will agree to establishing ceilings based on those levels.

5. Within the group limits, there shall be specific limits on 10 categories of man-made fiber textile products and 2 categories of wool textile products. The specific limits to be included will be designated by the United States, after consultation with the Republic of Korea.

6. Trade in categories not subject to specific limits shall be subject to group and aggregate limits and to the consultation provision set forth in the annex hereto.

7. The levels of the cotton textile agreement between the two countries shall be increased by 15 percent for the current year. The agreement shall be extended for a period of five years beginning January 1, 1971, and the increases distributed proportionately among groups and categories.

8. Provisions shall be made to allow inter-fiber flexibility between cotton textiles and man-made fiber textiles of a percent of the limits of the fiber into which the shift is made.

Within the separate aggregate limits for man-made fiber textiles and wool textiles, as adjusted for growth and inter-fiber flexibility, the apparel groups may be increased by 5% and other groups by 10% in each agreement year. In addition, beginning October 1, 1972, 5% annual carryover may be applied as under the cotton textile agreement formula. There shall be five percent flexibility among categories subject to specific limits. Flexibility among groups shall be based on group limits after adjustment for inter-fiber flexibility, but shall be applicable only to categories not given specific limits not previously adjusted for inter-fiber flexibility.

9. Products subject to the agreement shall be defined as in the bilateral agreement between the United States and Malaysia on wool and man-made fiber textiles and in accordance with the U.S. "T.Q." category classification and conversion factor system.

10. The Republic of Korea shall have the right to enjoy mutatis mutandis an equitable overall relationship as to agreements between the United States and other countries with respect to base, growth and starting date.

11. Other standard textile agreement provisions shall be included in the agreement, covering such points as exchange of trade data, administrative arrangements, export and import control, consultation, spacing of exports throughout the agreement year, and evasion or transshipment problems.

12. Experts of the two governments shall meet to consider hardship situations which may exist at the outset of the present agreement. The experts may make recommendations to the two governments for appropriate solutions. In considering those situation, conditions in both countries shall be taken into account.

13. The attached memorandum regarding a multilateral arrangement is agreed and is hereby incorporated into this memorandum.

14. Notes constituting a formal agreement between the two governments containing the terms provided for in this memorandum shall be exchanged as soon as practicable.

October 16, 1971

Annex

With respect to categories not subject to specific limits, the following trade development review procedures shall be applied.

a. At the beginning of each year the Republic of Korea shall notify the United States of all intended exports for that year in each category not given a specific ceiling. Following receipt of that information the United States shall have 30 days in which to request consultations with the Republic of Korea.

b. In the event that such consultations are held and the two governments are unable to reach agreement, the Republic of Korea shall accept the level indicated by the United States for exports of the category or categories concerned.

b. If no consultations are requested on a given category the Republic of Korea would notify the United States if it receives a request to license exports in excess of the originally indicated level. The United States may then request consultations, and exports will not be permitted to exceed the original level without the consent of the United States. The United States shall respond to the Republic of Korea within 21 days of receipt of its notice. If consultations are requested, and the two governments are unable to reach agreement, the Republic of Korea shall accept the level indicated by the United States.

88. Memorandum from Jae Sul Lee, Vice Minister, EPB, Republic of Korea, to Michael H. B. Adler, Director, USAID, Korea, undated



ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
Seoul, Korea

MEMORANDUM

To : Mr. Michael H.B. Adler, Director, USAID, Korea

From : Mr. Jae Sul Lee, Vice Minister, Economic Planning Board, ROK

Subject: Long term \$100 millions credit from the United States

This memo is to write down the gist of our conversation of January 22, 1971. The proposed idea is to secure a new long term credit in the amount of \$100 millions to be used for financing current import of commodities and services from the United States. The attachment illustrates the general frame of the idea and the background thereof.

1. Description:

A long term credit in the amount of \$100 millions is requested to finance the current import of general commodities and services from the United States of America, broken down as follows:

A. A credit of \$50 millions in the form of a new PL 480 loan and/or a new development loan in addition to \$179 million of the pending agreement.

B. A \$25 million loan in the form of a program loan in addition to the development loan already earmarked for USFY 1972 of \$21 millions.

C. \$25 million in the form of a commodity credit from the U.S. Export-Import Bank to finance the current import of industrial raw materials and commodities through direct loan to the Korean Government with repayment period over 15 years.

The sale proceeds of the above-referred to credits will be utilized as the case with other ordinary PL 480 agreements subject to consultation between our two Governments.

2. Background of the idea:

The following several events, which were not foreseen or expected even by the time of completing the Third Five Year Economic Development Plan (TFYP) and visit of the IBRD's economic survey team, have been caused and brought about by outside forces beyond control of the ROK Government. The net effect brought about as reflected in the balance of payments position is enlarged scale of balance deficit by \$212 millions over the estimate under TFYP as shown in the attachment.

A. Unexpected slow-down of export increase due to the general stagnation in world trade volume affected by the Nixon measure entailed world-wide trade and currency difficulties.

B. During the first half of 1971, hedge imports in anticipation of the rumoured Won devaluation sparked to result sudden increase of import by \$194 millions to make total years of \$2,185 millions over the estimated \$1,991 millions.

C. The rate of decrease of invisible receipts from the UNC forces stationed in Korea and ROK Forces in Vietnam have been suddenly accelerated.

D. The value change of major international currencies will average out about 4% increase cost of imports for the same amount of imports of the preceeding year. This mean that 3.2% increased rate of total import this year, adjusted from the original estimate of 11.6% of TFYP, will be virtually wiped out to zero by this cost increase. This kind of constraint on essential increase of imports in countries like Korea where growth momentum is already built in is almost physically impossible to attain. In this connection, the situation is expected to be worsened by the reason of so-called particular nature of trade between Korea and Japan. Due to geographical vicinity and non-availability of alternate import sources susceptible to price elasticity, goods and services exported by Japanese to Korea do not reflect any price reduction otherwise reflectable in exports elsewhere by the Japanese to meet competition resulting from the revaluation of Japanese Yen of 16.8%. Consequently ROK is forced to spend at least more than \$100 millions for import ^{of some} ~~of the same~~ import scale of around \$800 millions annually.

E. Revaluation of strong currencies such as Japanese Yen and German Mark have brought about an additional \$68 millions cost for the repayment of ROK's outstanding loans over three years repayment period. Furthermore, 1972 is the year where the ratio of burden of repayments of loans over 3 years repayment period against the current receipts is highest with 15.7%.

F. As shown in the attachment, the amount of import requirement left uncovered by the 1972 PL 480 agreements of \$179 millions is around \$100 millions. In consideration of UMR requirement, ROK is prepared to finance half of the amount by KFX, while another half is sought to be financed by the addition of PL 480 or DL agreements. It being considered that most of

~~CONFIDENTIAL~~

the present difficulties as outlined are derived from outside factors of transitional natures or rarely-happening propensity, the sought-after \$100 millions credits is designed to alleviate and mitigate the short-term and transitional problems of ROK balance of payments. In view of the fact that this year is the starting year of TFYP and that the balance of payments is the only area where very on substantial adjustment of the plan developed barely 7 month ago due to certain international and/or outside forces, is made inevitable, some sort of commodity credit assistance is absolutely required to eliminate present short-term difficulties of balance of payments and smooth out the launching of the TFYP.

89. Trade in Wool and Man-Made Fiber Textile Products, Agreement between the United States of America and the Republic of Korea, effected by exchange of notes signed at Washington, D.C., January 4, 1972

TREATIES AND OTHER INTERNATIONAL ACTS SERIES 7499

**TRADE IN WOOL AND MAN-MADE FIBER
TEXTILE PRODUCTS**

**Agreement Between the
UNITED STATES OF AMERICA
and the REPUBLIC OF KOREA**

**Effectuated by Exchange of Notes
Signed at Washington January 4, 1972**

with

**Related Notes
Dated at Washington September 20, 1972**

NOTE BY THE DEPARTMENT OF STATE

Pursuant to Public Law 89-497, approved July 8, 1966 (80 Stat. 271; 1 U.S.C. 113)—

“. . . the Treaties and Other International Acts Series issued under the authority of the Secretary of State shall be competent evidence . . . of the treaties, international agreements other than treaties, and proclamations by the President of such treaties and international agreements other than treaties, as the case may be, therein contained, in all the courts of law and equity and of maritime jurisdiction, and in all the tribunals and public offices of the United States, and of the several States, without any further proof or authentication thereof.”

REPUBLIC OF KOREA

Trade in Wool and Man-Made Fiber Textile Products

Agreement effected by exchange of notes

Signed at Washington January 4, 1972;

Entered into force January 4, 1972;

Effective October 1, 1971.

With related notes

Dated at Washington September 20, 1972.

The American Ambassador at Large to the Korean Ambassador

DEPARTMENT OF STATE
WASHINGTON

JANUARY 4, 1972

Excellency:

I refer to recent discussions between our two governments concerning exports of wool and man-made fiber textile products from the Republic of Korea to the United States of America. As a result of those discussions, I propose the following agreement:

1. The Republic of Korea shall limit exports of wool and man-made fiber textile products to the United States for the five agreement years beginning October 1, 1971, and extending through September 30, 1976, to the annual aggregate, group and specific limits set forth in Annex A, and in accordance with the provisions of this Agreement.

2. (a) Within the applicable aggregate and group limits shown in Annex A, for wool and man-made fiber textiles, the following specific limits shall apply for the first agreement year:

<u>Wool Textile Products</u>		
<u>Category</u>	<u>Thousand Square Yards Equivalent</u>	
104		1, 505. 9
120		1, 413. 6

Man-made Fiber Textile Products

<u>Category</u>	<u>Thousand Square Yards Equivalent</u>
211	13, 282. 5
216	5, 250. 3
219	58, 301. 1
221	80, 186. 7
222	11, 080. 3
228	8, 664. 7
229	24, 699. 4
234	66, 378. 4
235	27, 073. 2
238	2, 642. 2

(b) Within the annual aggregate and group limits set forth in Annex A, the specific limits set forth in (a) of this paragraph for man-made fiber textile products shall be increased over the preceding agreement year by 9 percent for the second year and 8 percent for the third year. During the third year, the two governments shall consult to determine the growth rates appropriate for man-made fiber textiles to distribute between the fourth and fifth year the balance remaining of the five-year aggregate limit shown in Annex A after deduction of the aggregate limits provided for the first three years. The growth rates determined in such consultations shall also be applied to the group and specific limits provided for herein.

(c) The specific limits for wool textile products set forth in (a) of this paragraph shall be increased beginning with the second agreement year by 1 percent for each agreement year over the preceding agreement year.

3. The following procedures shall apply during each agreement year with respect to all exports in that year in each category of man-made fiber and wool textile products not subject to a specific limit under paragraph 2 above.

(a) By August 15 of each agreement year the Government of the Republic of Korea shall notify the Government of the United States of America of anticipated exports in each such category during the next agreement year. Following receipt of such notice, the Government of the United States of America shall have 30 days in which to request consultations with respect to any category.

(b) When the Government of the United States of America requests consultations, the Government of the Republic of Korea shall meet promptly with the Government of the United States of America to work out a mutually satisfactory solution to such problems as may exist with respect to the anticipated exports referred to under (a) of this paragraph. The consultations shall be concluded within 30 days, unless the two governments agree otherwise. In the event that such consultations do not result in a mutually acceptable solution, the Government of the Republic of Korea shall limit its exports in any category in question during the agreement year in question to the

level requested by the Government of the United States of America at the conclusion of such consultations.

(c) If no consultations are requested by the Government of the United States of America, the Government of the Republic of Korea shall not permit exports to exceed the level stated by the Government of the Republic of Korea under (a) of this paragraph without the specific concurrence of the Government of the United States of America to such additional exports. The Government of the Republic of Korea may request such concurrence at any time it believes appropriate. The Government of the United States of America shall give due consideration to such request and shall respond within 21 days of receipt of such request.

4. The following shall be applied separately to the wool textile aggregate, group and specific limits and to the man-made fiber textile aggregate, group and specific limits.

(a) For any agreement year subsequent to the first agreement year and immediately following a year of a shortfall (i.e., a year in which textile exports from the Republic of Korea were below the aggregate limit and any group and specific limits applicable to the category concerned) the Government of the Republic of Korea may permit exports to exceed these limits by carryover in the following amounts and manner:

(i) The carryover shall not exceed the amount of shortfall in either the aggregate limit or any applicable group or specific limit and shall not exceed either five percent of the aggregate limit or five percent of the applicable group limit in the year of the shortfall, and

(ii) in the case of shortfalls in the categories subject to specific limits the carryover shall be used in the same category in which the shortfall occurred, and shall not exceed five percent of the specific limit in the year of the shortfall, and

(iii) in the case of shortfalls not attributable to categories subject to specific limits, the carryover shall be used in the same group in which the shortfall occurred and shall not be used to exceed any applicable specific limit except in accordance with the provisions of paragraph 7 and shall be subject to the provisions of paragraph 3 of this Agreement.

(b) The limits referred to in subparagraph (a) of this paragraph are without any adjustments under this paragraph or paragraphs 5, 6 or 7.

(c) The carryover shall be in addition to the exports permitted in paragraphs 5, 6 and 7 of this Agreement.

5. In addition to the amounts provided for under paragraphs 2 and 4, aggregate exports of man-made fiber textiles may be increased by an amount equal to 5 percent of the aggregate limit, and within that amount, exports in any group or category may be exceeded by 5 percent of the applicable group and category limits, provided that exports under the cotton textile agreement for the corresponding year ending December 31 are below the aggregate limit and the comparable group and category limits established therein by an equivalent square yard

amount. In applying this paragraph only, the maximum allowable exports under the cotton textile agreement shall be deemed the "limits".

6. Within the applicable aggregate limits, as they may be adjusted under paragraphs 4 and 5, exports in the apparel groups for man-made fiber textiles and for wool textiles may exceed the applicable group limits as adjusted pursuant to paragraph 5 by 5 percent of such adjusted limits in each year and exports in the other groups may exceed the group limits applicable thereto as adjusted pursuant to paragraph 5 by 10 percent.

7. Within the applicable aggregate and group limits as adjusted pursuant to paragraphs 4, 5, and 6, exports in any category given a specific limit may exceed that limit by not more than 5 percent in addition to the amount authorized under paragraph 4; provided, however, that the total of exports authorized for any category under this paragraph and paragraph 5 shall not exceed 5 percent of the unadjusted category limit for the year in question. Within the applicable group limits for each group, the square yard equivalent of any shortfalls occurring in exports in the categories given specific limits may be used in any category not given a specific limit.

8. The Government of the Republic of Korea shall use its best efforts to space exports to the United States of America as evenly as practicable taking into account seasonal factors.

9. Each government agrees to supply promptly any relevant available statistical data requested by the other government. In particular, the governments agree to exchange monthly data on exports and imports of wool and man-made fiber textiles from the Republic of Korea to the United States of America.

10. (a) For the purpose of this Agreement the schedules of categories and conversion factors attached hereto as Annex B shall apply.

(b) (i) Any textile product which is wholly or in part of wool and/or man-made fiber, but is not in chief value cotton, shall be subject to the terms of this Agreement, whether or not listed in Annex B.

(b) (ii) For purposes of this Agreement a product covered under (b) (i) and not listed in Annex B shall be treated as a wool textile product if (a) it is 17 percent or more by weight of wool, or (b) the weight of the wool component is not less than the weight of the man-made fiber content, or (c) the product contains no man-made fiber. All other products under (b) (i) but not listed in Annex B shall be considered man-made fiber textile products.

(c) Both governments agree to take such measures as may be appropriate to prevent the evasion of this Agreement by substitution, transshipment or other means.

11. (a) The governments agree to consult on any question arising in the implementation of this Agreement. Mutually satisfactory administrative arrangements or adjustments may be made to resolve minor problems arising in the implementation of this Agreement including differences in points of procedure or operation.

(b) Experts of the two governments shall meet to consider hardship situations which may exist at the outset of this Agreement. The experts may make recommendations to the two governments for appropriate solutions. In considering these situations, conditions in both countries shall be taken into account.

12. The Government of the Republic of Korea shall administer its export control system under this Agreement. The Government of the United States of America may assist the Government of the Republic of Korea in implementing the limitations of this Agreement.

13. A schedule of handicraft and art articles which shall be exempt from the limitations of this Agreement shall be developed by the two governments and incorporated into this Agreement as Annex C.¹

14. If the Government of the Republic of Korea considers that as a result of limitations specified in this Agreement, the Republic of Korea is being placed in an inequitable position vis-a-vis a third country, the Government of the Republic of Korea may request consultation with the Government of the United States of America with the view to taking appropriate remedial action such as a reasonable modification of this Agreement.

15. Either government may terminate this Agreement effective at the end of an agreement year by written notice to the other government to be given at least 90 days prior to the end of such agreement year. Either government may at any time propose revisions in the terms of this Agreement.

If this proposal is acceptable to the Government of the Republic of Korea, this note and your note of confirmation on behalf of the Government of the Republic of Korea shall constitute an agreement between the Government of the Republic of Korea and the Government of the United States of America.

Accept, Excellency, the assurances of my highest consideration.

For the Secretary of State:

DAVID M. KENNEDY

David M. Kennedy
Ambassador at Large

His Excellency

DONG JO KIM,

Ambassador of Korea.

¹ See p. 9. [Footnote added by the Department of State.]

ANNEX A

Man-Made Fiber and Wool Textile Products

1. The aggregate and group limits for exports of man-made fiber textiles from the Republic of Korea to the United States of America for the five years beginning October 1, 1971, shall not exceed 1,954,400,000 square yards equivalent. The totals for the first three years are indicated below in square yards equivalent.

Period	Limits
October 1, 1971–September 30, 1972	
Aggregate	344,300,000
Group I—Apparel (Categories 214–240)	296,442,300
Group II—Fabric (Categories 206–213)	16,044,600
Group III—Other (Categories 200–205, 241–243)	31,813,100
October 1, 1972–September 30, 1973	
Aggregate	375,287,000
Group I—Apparel (Categories 214–240)	323,122,100
Group II—Fabric (Categories 206–213)	17,488,600
Group III—Other (Categories 200–205, 241–243)	34,676,300
October 1, 1973–September 30, 1974	
Aggregate	405,310,000
Group I—Apparel (Categories 214–240)	348,971,900
Group II—Fabric (Categories 206–213)	18,887,700
Group III—Other (Categories 200–205, 241–243)	37,450,400
October 1, 1974–September 30, 1975 ¹	
Aggregate	
Group I—Apparel (Categories 214–240)	
Group II—Fabric (Categories 206–213)	
Group III—Other (Categories 200–205, 241–243)	
October 1, 1975–September 30, 1976 ¹	
Aggregate	
Group I—Apparel (Categories 214–240)	
Group II—Fabric (Categories 206–213)	
Group III—Other (Categories 200–205, 241–243)	

2. The aggregate and group limits in square yards equivalent for Korean exports of wool textiles to the United States for the periods indicated below are:

Period	Limits
October 1, 1971–September 30, 1972	
Aggregate	12,730,000
Group I—Apparel (Categories 111–125)	10,600,000
Group II—Fabric, made-ups & miscellaneous (Categories 101–110, 128–132)	2,130,000
October 1, 1972–September 30, 1973	
Aggregate	12,857,300
Group I—Apparel (Categories 111–125)	10,706,000
Group II—Fabric, made-ups, and miscellaneous (Categories 101–110, 128–132)	2,151,300
October 1, 1973–September 30, 1974	
Aggregate	12,985,900
Group I—Apparel (Categories 111–125)	10,813,100
Group II—Fabric, made-ups & miscellaneous (Categories 101–110, 128–132)	2,172,800

¹ See paragraph 2(b) of this agreement regarding fourth and fifth year limits.

Period	Limits
October 1, 1974-September 30, 1975	
Aggregate	13, 115, 700
Group I—Apparel (Categories 111-125)	10, 921, 200
Group II—Fabric, made-ups & miscellaneous (Categories 101-110, 128-132)	2, 194, 500
October 1, 1975-September 30, 1976	
Aggregate	13, 246, 900
Group I—Apparel (Categories 111-125)	11, 030, 400
Group II—Fabric, made-ups, and miscellaneous (Categories 101-110, 128-132)	2, 216, 500

3. Growth in the group and specific limits in the second and succeeding years shall be at the same rate as growth in the aggregate limit in the second and succeeding years.

ANNEX B

Categories of Wool Textile Products

Category	Description	Unit of Measure	Syd. Conversion
101	Wool tops and wool advanced	Lb.	1. 95
102	Yarns of Angora Rabbit Hair	Lb.	1. 95
103	Other yarns of wool and hair	Lb.	1. 95
104	Woven fabrics of wool, including blankets (carriage robes, lap robes, steamer rugs, etc.) over 3 yards in length	Syd.	1. 00
105	Billiard cloth	Syd.	1. 0
106	Blankets	Lb.	1. 295
107	Carriage and auto robes, etc., nes.	Lb.	1. 295
108	Tapestries and upholstery fabrics	Syd.	1. 0
109	Pile and tufted fabrics	Syd.	1. 0
110	Knit fabrics in the piece	Lb.	1. 95
111	Hosiery	Doz. Pr.	2. 7814
112	Gloves and mittens	Doz. Pr.	2. 093
113	Underwear, knit	Lb.	1. 95
114	Other infants articles, knit not ornamented	Lb.	1. 95
115	Knit hats and similar items	Lb.	1. 95
116	Knit wearing apparel, nes., valued not over \$5 per pound	Lb.	1. 95
117	Knit wearing apparel, nes., valued over \$5 per pound	Lb.	1. 95
118	Hats, caps, not blocked	Lb.	1. 95
119	Hats, caps, blocked, finished	Lb.	1. 95
120	Men's and boys' suits	No.	4. 5
121	Men's and boys' outer coats	No.	4. 5
122	Woman's, misses', and children's coats and suits	No.	4. 75
123	Women's misses', children's separate skirts	No.	1. 5
124	Trousers, slacks and shorts	No.	1. 5
125	Articles of wearing apparel, nes.	Lb.	2. 0
126	Lace and net article including veiling	Lb.	1. 95
128	Miscellaneous wool manufactures	Lb.	1. 95
131	Braided floor coverings	Sft.	. 0111
132	Wool floor coverings, nes.	Sft.	. 0111
200	Textured yarns	Lb.	3. 51

<u>Category</u>	<u>Description</u>	<u>Unit of Measure</u>	<u>Syd.</u>	<u>Conversion</u>
201	Yarn wholly of continuous filament, cellulosic	Lb.	5.19	
202	Yarn wholly of continuous filament, other	Lb.	11.6	
203	Yarn wholly of non-continuous filament, cellulosic	Lb.	3.4	
204	Yarn wholly of non-continuous filament, other	Lb.	4.12	
205	Yarns, other	Lb.	3.51	
206	Woven fabrics, cellulosic, wholly of continuous man-made fiber	Lb.	1.0	
207	Woven fabrics, cellulosic, wholly of non-continuous fibers	Syd.	1.0	
208	Woven fabrics, other, wholly of continuous man-made fiber	Syd.	1.0	
209	Woven fabrics, other, wholly of noncontinuous fibers	Syd.	1.0	
210	Woven fabrics, other, of man-made fibers (including fabric containing more than 17% by weight of wool; glass fabrics and mixed yarn fabrics)	Syd.	1.0	
211	Knit fabrics	Lb.	7.8	
212	Pile and tufted fabrics	Syd.	1.0	
213	Specialty fabrics	Lb.	7.8	
214	Gloves and mittens, knit, whether or not ornamented	Doz. Pr.	3.53	
215	Hosiery	Doz. Pr.	4.6	
216	Dresses, knit	Doz.	45.3	
217	Pajamas and other nightwear, knit	Doz.	51.96	
218	T-Shirts, knit	Doz.	7.24	
219	Shirts, other (including blouses), knit	Doz.	18.36	
220	Skirts, knit	Doz.	17.8	
221	Sweaters and cardigans, knit	Doz.	36.8	
222	Trousers, slacks and shorts, knit women's girls' and infants'	Doz.	17.8	
223	Underwear, knit	Doz.	16.0	
224	Other wearing apparel, knit, whether or not ornamented	Lb.	7.8	
225	Body supporting garments	Doz.	4.75	
226	Handkerchiefs	Doz.	1.66	
227	Mufflers, scarves and shawls, not knit	Lb.	7.8	
228	Blouses, not knit	Doz.	14.53	
229	Coats, not knit	Doz.	41.25	
230	Dresses, not knit	Doz.	45.3	
231	Dressing gowns, including bathrobes and beach robes, not knit	Doz.	51.0	
232	Pajamas and other nightwear; not knit	Doz.	51.96	
233	Playsuits, sunsuits, washsuits, etc., not knit	Doz.	21.3	
234	Dress shirts, not knit	Doz.	22.19	
235	Shirts, other, not knit	Doz.	24.46	
236	Skirts, not knit	Doz.	17.8	
237	Suits, not knit	No.	4.5	
238	Trousers, slacks and shorts, not knit	Doz.	17.8	
239	Underwear, not knit	Doz.	16.0	
240	Other wearing apparel, not knit, whether or not ornamented.	Lb.	7.8	
241	Floor coverings	Sft.	0.11	
242	Other furnishings	Lb.	7.8	
243	Man-made fiber manufactures, nes.	Lb.	7.8	

The Korean Ambassador to the American Ambassador at Large

EMBASSY OF THE REPUBLIC OF KOREA
WASHINGTON, D.C.

KAM 72/2

JANUARY 4, 1972

EXCELLENCY:

I have the honor to acknowledge the receipt of Your Excellency's note of January 4, 1972, concerning the exports of wool and man-made fiber textile products from the Republic of Korea to the United States of America.

I have the honor to inform Your Excellency that the proposals set forth in Your Excellency's note are acceptable to the Government of the Republic of Korea and to confirm that Your Excellency's note and this reply constitute an agreement between our two Governments.

Accept, Excellency, the renewed assurances of my highest consideration.

DONG JO KIM

Dong-Jo Kim
Ambassador

His Excellency

DAVID M. KENNEDY
Ambassador at Large
Department of State
Washington, D.C.

[RELATED NOTES]

EMBASSY OF THE REPUBLIC OF KOREA
WASHINGTON, D.C.

KAM 72/192

The Ambassador of the Republic of Korea presents his compliments to His Excellency, the Secretary of State and has the honor to refer to Article 13 of the Agreement on Wool and Man-made Fiber Textiles between Korea and the United States dated January 4, 1972 and to propose that the following list of traditional "Korean items", not including those garments tailored to conform with western styles be incorporated into the Agreement as Annex C:

1. Chima—The long, formless and ample skirt portion of the traditional Korean Chima-Chogori dress set.
2. Chogori—The short halter type blouse or top portion of the traditional Korean Chima-Chogori dress set.
3. Bosun—An ankle boot-type article, wholly of cloth, worn by Korean women indoors.

4. Fabrics, not exceeding 24 X 48 inches in size, containing hand embroidered or handpainted Korean scenes and used primarily as decorations or art objects.
5. Handmade carpets, i.e., in which the pile was inserted or knotted by hand and classified by the U.S. Customs under TSUSA numbers 360.0500, 360.1000, 360.1500 or 360.7540.

The Ambassador of the Republic of Korea further has the honor to propose that if the foregoing is acceptable to His Excellency, this note and His Excellency's note in reply shall constitute Annex C to the Agreement.

The Ambassador of the Republic of Korea avails himself of the opportunity to renew to the Secretary of State the assurances of his highest consideration.



WASHINGTON, D.C. September 20, 1972

DEPARTMENT OF STATE
WASHINGTON

SEPTEMBER 20, 1972

EXCELLENCY:

I have the honor to acknowledge receipt of your note of today's date which reads as follows:

"The Ambassador of the Republic of Korea presents his compliments to His Excellency, the Secretary of State and has the honor to refer to Article 13 of the Agreement on Wool and Man-made Fiber Textiles between Korea and the United States dated January 4, 1972 and to propose that the following list of traditional "Korean items", not including those garments tailored to conform with western styles, be incorporated into the Agreement as Annex C:

1. Chima—The long, formless and ample skirt portion of the traditional Korean Chima-Chogori dress set;
2. Chogori—The short halter type blouse or top portion of the traditional Korean Chima-Chogori dress set;
3. Bosun—An ankle boot-type article, wholly of cloth, worn by Korean women indoors;
4. Fabrics, not exceeding 24 X 48 inches in size, containing hand embroidered or handpainted Korean scenes and used primarily as decorations or art objects;

5. Handmade carpets, i.e., in which the pile was inserted or knotted by hand and classified by the U.S. Customs under TSUSA numbers 360.0500, 360.1000, 360.1500, or 360.7540.

"The Ambassador of the Republic of Korea further has the honor to propose that if the foregoing is acceptable to His Excellency, this note and His Excellency's note in reply shall constitute Annex C to the Agreement.

"The Ambassador of the Republic of Korea avails himself of the opportunity to renew to the Secretary of State the assurances of his highest consideration."

I have further the honor to confirm that the proposal contained in your note is acceptable to the Government of the United States of America.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:

WILLIS C. ARMSTRONG

His Excellency

DONG JO KIM,

Ambassador of Korea.

90. Letter from Nam Duck-woo, Deputy Prime Minister to Hon. Daniel Parker,
Administrator, AID, May 23, 1975



ECONOMIC PLANNING BOARD
REPUBLIC OF KOREA
Seoul, Korea

May 23, 1975

The Honorable Daniel Parker
Administrator
AID/Washington
Washington, D.C. 20523
U. S. A.

Dear Mr. Parker:

I wish to thank you once again for your hospitality during my recent visit to the United States, and for your courteous and sympathetic discussions with me on problems of mutual interest to our governments, including the U.S. Development Loan Program in Korea.

The Development Loan Program, through the medium of the nation's first three Economic Development Plans, has made a vital contribution to the establishment of a foundation for national growth and achievement which would not otherwise have been attainable.

The natural objective of such a loan program is, of course, to generate self-sustaining economic growth and thus make itself eventually unnecessary. The Program has been remarkably successful in moving toward this end. The share in the Korean national budget of counterpart-funds generated by the Program has decreased in both absolute and relative terms, while the projects to which its funds have been applied, as well as others for which they have provided momentum, are now contributing far more to the national economy than initial loan costs.

The Program has also helped to develop the desirability of Korea as an increasingly sophisticated source and market partner for your nation's commercial and industrial community, as indicated by the fact that in 1974 two-way trade amounted to \$3.2 billion, composed of R.O.K. exports of \$1.5 billion and imports from the U.S. of \$1.7 billion. This effect, we shall

MAY 29 1975

believe, has served U.S. interests, and provides a considerable measure of justification for the Program and for the favorably repayment terms it offers.

In this context it is on the one hand reasonable and proper that the Program should gradually be curtailed with the growth and increasing strength of the Korean economy and the availability of loan funds from other institutional and private sources, and on the other hand, in view of the current recession, mutually desirable that it be continued in some measure for as long as it significantly helps to maintain Korea's growth in a manner which contributes to U.S.-Korean politico-economic interests.

DLP funds provided during the First Five-Year Economic Development Plan (1962-1966) totalled \$235 million, during the Second Plan (1967-1971) \$157 million, and during the first four years of the Third Plan (1972-1976) \$100 million. While this tapering off has been understandable and, in principle, appropriate, I would like to respectfully but urgently contend that it would not be in the U.S. interest - not to speak of Korea's - to totally phase out the Program at the end of this U.S. fiscal year as, we understand, has been contemplated.

I will not burden this letter with a resume of the extremely critical problems which have arisen to confront Korea as a result of the current international recession and the sharp rise in the costs of petroleum and other essential raw materials, and the effect of these phenomena on the pace of domestic economic activity and on the nation's balance of payments position.

To these must be added our current profound concern, which I am sure your government shares, that the nation's defence posture be intensified to meet any possible contingency stemming from recent developments in Asia; an intensification which is not possible without committing an even greater share of our scarce national resources and wealth to goods and activities which contribute little or nothing to that overall national economic growth which is in our mutual interests.

Within this troubled context our government is now formulating its Fourth Five-Year Economic Development Plan for 1977-1981. I need not assure you that in our planning we are seeking to take the utmost possible advantage of those assets we have and of the growth we have thus far achieved, not merely to improve our lot but to continue to survive as a nation. Under the present circumstances there is little question that the continuation of the Development Loan Program, at least until the international economic situation permits us to achieve a level of income and export sufficient to sustain the maintenance and growth of the Korean economy, constitutes a contribution for which there is no effective substitute. The continuation of the Program during this difficult period would help to avoid a serious deterioration in our economic situation, which would delay our ability to maintain a reasonable level of growth and reduce Korea's capability to contribute to your nation's interests.

I am confident you will give your close and careful consideration to the position I have outlined here, and I sincerely hope you will recognize the mutual interests to be served by the continuation of the Development Loan Program in Korea.

Thanking you once again for your many personal as well as official courtesies, and looking forward to hearing from you at your earliest convenience, I remain

Sincerely yours,

S. Park
Duck-Woo Nam
Deputy Prime Minister
and
Minister of Economic Planning
Board

cc : Mr. M.H.B. Adler
Director
USAID/K
Seoul, Korea

91. Letter to Hon. Richard L. Sneider, U.S. Ambassador to the Republic of Korea, May 23, 1975

CONFIDENTIAL

May 23, 1975

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POL. OFF. I	/
POL. OFF. II	✓
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FILE	✓
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The Honorable
Richard L. Sneider
United States Mission-Korea
Seoul, Korea

Dear Mr. Ambassador:

I am enclosing the report on my recent trip to Korea. As usual, Mike Adler and the economic staff have been extremely helpful in providing me with relevant material and in making appointments.

You may find my conclusions a bit harsh but I think that the experience of the past few months justified them. The size of this year's expected balance-of-payments deficit is partly the result of a perverse policy that insists on expanding when export income is declining.

I have the greatest respect for the ability of the economic leadership and their staff, some of whom I have known since 1961. I am convinced from my conversations that they see the situation as I do but are constrained by Presidential directives to carry out a task that sooner or later will lead to a serious setback in the rate of growth.

Sincerely yours,

Enclosure

cc:

Korea Trip Report

May 15-18, 1975

Introduction and Summary

1. The full force of the world recession struck Korea's exports in the second half of 1974. The consequences are still being felt. The government has in general refused to accept the balance-of-payments constraint on growth, continued to aim at a target of 6-7% and resorted to devaluation, massive short-term foreign borrowing and increasingly more stringent controls over imports to offset the consequences of its expansionist policy on the balance-of-payments.

2. In 1975 one can expect:

- a) a continuing rapid increase of prices (25% for the year),
- b) rising industrial production,
- c) higher imports than in 1974 unless offset for a few months by controls, and,
- d) a larger balance-of-payments current account deficit.

3. In the longer run (1976 and beyond) the perspective is one of:

- a) a growth policy making only modest concessions to the expected harsher world economic climate of the 1970's,
- b) a continuing deficit in central government operations, reducing government savings,
- c) a tendency to substantial deficit in the balance-of-payments current account in spite of rapidly rising exports, and
- d) an increasing burden of debt service.

4. The Korean Government's economic policy can only be characterized as irresponsible in view of its balance-of-payments situation. There seems to be a new divergence in the past two years between the requirements of the political leadership and the continuation of Korea's past, successful growth policy. The United States should use its influence through the IMF and IBRD and bilaterally to support a more rigorous stabilization program. There is reason to believe that both the economic leadership within the Korean government and in the staffs of the international institutions would respond favorably.

II

The Short-run Perspective

4. Devaluation and Expansion. - The history of the months October thru April are dominated by the December devaluation and the government's attempt to re-inflate the economy which ceased to grow as the export level declined last summer. The devaluation, originally planned for October, was postponed to December. The news leaked and importers stepped up orders. The devaluation itself was accompanied, not by a stabilization program, featuring the usual credit and budget restraints and a realignment of internal controlled prices to eliminate or reduce subsidy elements and to reflect the new exchange rate, but by an acceleration of budget expenditures and the enlargement of the deficits in the grain management and fertilizer accounts. Although credit to the private sector has been somewhat restrained, domestic credit (the total to both the public and private sectors) has been rising at the rate of 60% per year in the period December to April.*

5. Industrial production has responded. From the low in November through March, the index rose 13% and is now 7% over the earlier July peak. It is not clear where this incremental production is going since exports, the major outlet, remains depressed. Some of it may be in inventory accumulation. Prices continue to rise rapidly -- 12% for the year through April. The prospect is for at least 25% during the course of the year.

6. The government wrested out of the IMF a curious standby feature which permitted a 32% increase in domestic credit this year, of which 23% would take place in the first half and 9% in the second! As of April, the cumulative increase was 16.6%. All this was based on the government scenario of rising production propelled by internal demand measures early in the year and foreign sales later on. Since the projected sustained upturn in export orders has not yet materialized, the Government is faced with a choice of either braking sharply in the next few months or negotiating an amendment to its standby. Although some minor measures may be taken, the fundamental monetary/fiscal plan which revolves around the deficit in the grain management and fertilizer accounts seems to be set for the year. Any major changes would require some politically wrenching price increases.

*Money supply (M1) declined because of the enormous B/P deficit.

7. The Balance-of-Payments - The main theme from the Korean point of view is that exports will grow sufficiently so that their plan will be successful. They emphasize receipts because their internal expansion precludes import savings. Exports in the first quarter are 11% below last year. The leading indicator, export LCs opened is 3% below in the first four months. The Embassy estimate, that exports will be about the same as last year, seems the most likely outcome. Imports this year on the other hand, inflated by the anticipation of the devaluation are 32% above the first quarter of 1974. Import licenses, stimulated by the new expansionary policy and the fear of direct restrictions remained surprisingly high through March for a post devaluation period. There was a decline in April, possibly resulting from higher import margin requirements and some new controls. The table below provides the latest estimates of the current account and how it might be financed.

	Balance-of-Payments*	
	(in billions of dollars)	
	1974	1975
1. Exports	4.5	4.5
2. Imports	6.2	6.7
3. Trade Balance	-1.7	-2.2
4. Net Invisibles & Transfers	-0.1	-0.2
5. Current Account	-1.8	-2.4
6. Capital Account, Total	2.0	2.4
a. Long Term, Net	1.2	1.6
b. Short Term, Net	0.8	0.8
7. Reserves	--	--
8. Year End Holdings	1.1	1.1
9. Reserves/Imports (in weeks)	9	8
10. Debt Service Ratio	12.4	15.2

*Errors & Omissions omitted

8. The government stoutly maintain a rock bottom estimate of \$4.8 billion and feel they probably cannot push imports below \$6.7 billion if they are to maintain the desired degree of industrial momentum, i.e., a 5-6% growth in GNP. Short-term debt outstanding has already risen about \$500 million since December. Korea could probably borrow a few hundred million dollars more and "squeak through" but the prospect puts the country very close to a liquidity crisis and the danger of a debt rescheduling which would have export

disastrous effects on its creditworthiness for years to come. Whichever estimate turns out to be right, the basic point is that Korea will have by the end of this year (and in fact right now) too much short-term debt. It is too much in the sense that it is twice as high as reserves and that the U.S. bankers do not feel that they can provide much more.

10. The government clearly recognized that the danger exists and that the usual sources of credit, U.S. banks, U.S. aid, the IDRD and IMF cannot provide no more this year than already drawn, committed or planned to be. It has turned to the Middle East, with a special mission consisting both of the Prime Minister and financial officials that returned the week of May 12. According to the Korean negotiators, the response of possible creditors was that the fall of Vietnam had weakened the Korean security position. Any credit available would be of the 1-3 year type. How much is available is not clear. The original Korean target was a \$300 million medium term loan from the Saudi Arabian Monetary Authority. (See Seoul 3593)

III

The Longer Run

11. The balance-of-payments and debt service in 1976 and beyond. With liquid resources -- reserves plus short-term borrowing--stretched as tight as they are now, not only can they not be relied on again but some new medium and long-term borrowing will have to be used to pay off and, in effect, consolidate the short-term debt. Furthermore, net medium and long-term capital is extraordinarily high this year. The scale on which IMF resources are being used and the use of medium/syndicated bank loans cannot be repeated, and suggest that net long term capital inflow will be two-three hundred million dollars less next year. Roughly then the first billion dollars of incremental export earnings in 1976 over the 1975 level (over a 20% increase) will have to be earmarked to closing the balance-of-payment gap. Only receipts above this level can be used to pay for additional imports. Unless exports increase at least to six billion dollars next year (a one third increase) it will be difficult to maintain a growth rate of more than 3-4%. In other words, Korea will likely to be forced into the slowdown next year that it is now trying to avoid.

12. The debt service ratio is estimated to rise to 15% this year (See Seoul's A-96) from 12% in 1974. This statistic does not take

into account the servicing cost of short-term debt which will be approximately \$200 million or 3.5% of total earnings in 1975. Although servicing of short-term debt is normally left out of the calculation of the debt service ratio, an adjustment needs to be made because of the extraordinary level of short-term borrowing. Realistically, this will also be necessary because some medium-term (three year and above in the special Korean terminology) or possibly long-term borrowing will be necessary in 1976 to consolidate short-term credits. It will then appear in the debt service ratio. Arbitrarily taking half the servicing cost, i.e., a level equivalent to mid-1974, would bring the ratio in 1975 to about 17%.

13. Projection in the longer-run depends mainly on export earnings and the size of the current account deficit. Discussions of the Fourth Plan (1977-81) now going suggest an export increase of 10-15% in volume. Adding to that a 5% annual price increase, which is rather high in view of past experience,* would result in export earnings rate of increase of 16%-21% per year. It would appear that the "pessimistic" projection in A-96 is realistic or even perhaps optimistic. Starting from an adjusted 17% in 1975, the service ratio would be over 20% by 1980. Moreover, the prospect of a steady increase in the debt service ratio, already at a high level, could dampen the enthusiasm of private creditors before then.

16. Subsidy Policy. The grain and fertilizer subsidy first began to assume fiscal significance in FY 1973 (Same as CY). Initially their purpose was to subsidize the farmer and protect the consumer from the increase in international grain prices. The situation has deteriorated to the point where the combined subsidy will be 330 billion won this year, equivalent to about 3.5% of GNP and only slightly smaller than the defense budget. It may take several years to reverse this policy. In the meantime, it reduces government savings and adds to inflationary pressure.

17. Future Planning. Judging from conversations at the Development Institute and a first draft, Korean strategy for the Fourth Plan is only modified, but not fundamentally changed, from the grand design for 1931 published in 1973. Basically, the shift to heavy industry would be slower, energy saving activities would be stressed, and the traditional labor intensive, capital saving industries will continue to play the major role. Export-led development will remain the major theme. No real effort has yet gone into a long-range market study of the demand for Korean exports. The basic methodology is rather an extrapolation from the Japanese and the Taiwanese experience. The adjustment in heavy industry is already taking place. A major steel project has been postponed indefinitely and

*There was no increase in export unit value from 1963-1972.

the steel production target for 1980 is about 7 million tons compared to 12 million ton two years ago. The new shipyards, which have already launched big tankers, have a dim future unless an expensive conversion to other types of ships or manufactures can be carried out. The growth target is about 9%, i.e., only slightly less than recent history but substantially less than the 11% earlier projected. It would appear that the future outlook remains tinted with the same optimism as the present official policy.

IV

Conclusion and Consequences for U.S. Policy

18. Korean economic policy in the past six months can only be characterized as irresponsible. To choose to expand rather than cut back in a time of rising balance-of-payments deficit with low reserves and short-term credit already heavily utilized is an extremely chancy operation. The economic leadership knows the risks and is clearly worried, although it rigidly declares that everything is for the best to impress potential creditors. They are obviously under great political pressure to maintain growth and employment so as not to aggravate an already tense political situation. At this point they are in search of some minor miracles -- a huge upsurge of export orders, \$300 million of balance-of-payments assistance from Saudi Arabia, etc., in other words, anything but slow the economy down and live on inventories for six months or a year as Taiwan has been doing since the beginning of 1974. The price - little or no growth for a year - seems too high to pay.

19. Bilateral Assistance. The United States has resumed shipment under its P.L. 430 "commitment" (arising out of the 1971 textile agreement) of about \$100 million per year. About \$350-400 million remains to be committed, of which after deduction of the currency use and downpayment portions, about 70% represents concessional aid. The development loan commitment of \$100 million, also arising from the textile agreement, will be finished this fiscal year. The basic issue is when does Korea "graduate" from the highly concessional terms on which U.S. assistance has normally been extended. It has a per capita GNP of over \$500. Actually, a DL phase out would have occurred five years ago when income was half this level (in current dollars) but did not because of the textile issue. In view of the post-Vietnam situation and Korea's balance-of-payment situation, there is a great temptation to "help." Even though the amounts would not be large in relation to needs, nothing could be more

pernicious. It would place, in effect, U.S. support behind the wrong kind of policy now being pursued and weaken the influence of the IMF just at the point when it is in a position to provide enough assistance to exert some influence on policy.

Multilateral Assistance

20. At this point, multilateral institution balance-of-payments assistance is of more significance than bilateral sources. The IDRD has contributed about \$200 million in program and program-like assistance* this year and is apparently considering another program loan late this year or early next year. The Koreans are expecting about \$200 million from the IMF, partly from the oil facility and partly from the Extended Fund Facility. But the institutions, bemused by Korea's generally good reputation, have only begun to examine seriously the shortcomings of the present policy. For example, the present terms of the standby covering a potential second-credit tranche drawing (\$25 million) are quite unrealistic. But the Fund staff is now making an effort to impress the government with its intent to hold to these terms. A recent IDRD mission expressed dissatisfaction with "demand management," a hopeful sign.

21. The next key decision point would be IMF Board consideration of an extended fund drawing. The United States could, in this connection, exert some influence with Korea and with the IMF staff support to establish a more rigorous stabilization program. If it were to attach similar economic conditions to the timing (not the amounts) of further P.L. 480 assistance and put a definitive end to the D.L. program, the effect could be decisive in giving the economic leadership enough influence to convince the President that new policies were required.

22. Unfortunately, Korean politics and the economic policies that have led to the impressive development of the past thirteen years are diverging. Continued manipulation for short-term political gains can lead to increasing long-term damage by dissipating savings and slowing growth and by precipitating a balance-of-payments crisis. A U.S. stand now would be in line with our long-term political interests and presumably our short-term ones as well.

May 23, 1975

*Credits to the Korea Development Bank, the KDFC and the Medium Industry Bank for relending for industrial projects are being used, by means of import restrictions, to channel machinery imports away from cash or short-term credit purchases into the World Bank and ADB loans.

B. PROBLEMS OF POLITICAL FUNDING AND U.S. TRADE AND INVESTMENT IN KOREA

92. Intercon Development Corp. interoffice correspondence from C. Y. Catibayan to Donald Morse, dated September 25, 1972

INTERCON DEVELOPMENT CORP.
INTER-OFFICE CORRESPONDENCE

To: Mr. Don Morse Date: 25 Sept. 1972
 From: C. Y. Catibayan Ref.: IK-5
 Subject: Phase I, ISF-5, 6, 7 & 8

RECEIVED
SEP 29 1972
F E M G O

I got a call this morning from a Mr. Odens of G & M Export Company who is the representative in Korea for American Laundry Machinery, American Sterilizer Co, Sheldon, etc. He wanted to know how Intercon got into the picture on this Phase I. I simply told him that Intercon is working with a financial institution and is packaging a commodity loan proposal for the Using Agency. He said that he thought that EXIM bank would be the loaning institution and I answered yes for 45% only while the other half would be on what we are working now. Mr. Odens understands it now so he told me to relay to you that G&M Export Co. will be happy to work with Intercon, provided that we deal with them on an exclusive basis.

As advised by our friend James, I should not make any direct contact with the local representatives here of the Stateside firms mentioned in your ISF-6. This matter should be handled at your end and you can tell them that we are working with a financing institution to package this commodity loan.

Both James and Peter are scheduled to arrive San Francisco on March 28th. I had a long meeting yesterday with James and it was relayed to me that since there are a number of suppliers waiting to get a crack on this deal, that, they are afraid our planned modus operandi might be impractical. So they gave me two ways of handling this project, as follows:

1. Have Intercon (APEX) worked with Bank of California or any other institution whereby Intercon would be the borrower and then become a commodity lender to the Using Agency. Exim bank guarantee will be issued in favor of Intercon. Intercon would make a direct representation to Exim bank as the lender. The Exim bank guarantee perhaps could be assignable to the bank who extends the loan to Intercon. In short, Intercon borrows from the bank and then, uses the loan for buying the materials for shipment to the Using Agency under a commodity loan arrangement.
2. If Intercon could not comply with the foregoing, they will approach Foremost to take the place of Intercon as the lender. Intercon (APEX) would then concentrate only on the electrical and mechanical portion of the contract while Foremost would supply all the medical equipment. They will introduce you to Foremost so that you can work together to come up with one package.

I personally feel that no. 2 would be more practical for us since it will be very difficult to sell Intercon to Exim bank as a commodity lender unless we have a complete support from a financial institution or institutions. When you talk with the Foremost people, you could probably mention Bank of California as an interested party to do the loan.

I am transmitting two checks - one for \$2,000 for James and one for \$1,500.- for Dr. Peter. The \$1,500 is the expense money for Peter which APEX is footing for representation purposes. James is taking care of himself. I suggest that while they are in San Francisco for you to give them a good treatment.

Regards,


Cesar

Encls.

93. Letter from E. G. de la Ossa, Foremost International, to Ki Rim Choi, Sang Rim Trading and Industries Co., dated November 6, 1972

Foremost

Foremost International

Crocker Plaza, One Post Street, San Francisco, CA 94104 (415) 391-6161
Cable FOREMINT, Telex 86A 27172 111-490313

November 6, 1972

D

Mr. Ki Rim Choi
President
Sang Rim Trading & Industries Co., Ltd.
I.P.O. Box 2405
Seoul, Korea

Dear Mr. Choi:

Mr. Russell Baum has advised me of the latest developments relating to the Seoul National University Hospital Project.

On the basis of this information, it is our decision not to pursue this project further at the present time.

We do thank you for your interest in Foremost-McKesson, Inc. and perhaps we may have an opportunity to work together in the future on other ventures of mutual interest.

Sincerely,

E. G. de la Ossa
President

EGO:kmp

bcc: R. H. Baum/W. R. Giles ~~CC: R. H. Baum/W. R. Giles~~
R. A. Fuller
H. H. Kizer
J. C. Klaczynski
E. Mikkelsen
J. F. Rebosio (with original letter for delivery to Mr.
Choi in Seoul)

94. Foremost intracompany correspondence from J. F. Rebosio to R. H. Baum,
dated November 15, 1972



Foremost

DAIRIES INC.

INTRA-COMPANY CORRESPONDENCE

NOV 17 1972

TO Mr. R. H. Baum - San Francisco

DATE 15 November 1972

FROM J. F. Rebosio - Korea

RE:

Dear Russ:

Mr. Choi received the letter from Mr. de la Ossa yesterday. And of course was disappointed in the decision by Foremost not to pursue the SNU project.

Mr. Choi informed all of his cohorts about the decision. Choi, now comes up with a new wrinkle. He now wants to know, if Foremost will take the project if he makes the necessary payment to get things started. Foremost would be asked to repay him after the contract was awarded and L/C was opened.

I told Choi, that Del had already made the decision not to pursue the project further and doubted if San Francisco would agree to his new plan to the project. However, he still would like a San Francisco comment, so could you please give him an answer at your earliest convenience. You can send the reply to Choi thru me using the AFO.

Sincerely,

Jack

J. F. REBOSIO

Dear Russ:

1 How much

2 Due liability

3 Can indirect stand the # |

95. Foremost International intracompany correspondence from R. H. Baum to
C. F. Loveland, dated December 1, 1972

 **Foremost International**
a Foremost-McKesson company
INTRA-COMPANY CORRESPONDENCE

RH *JED*

TO Mr. C. F. Loveland
FROM R. H. Baum

DATE December 1, 1972

RE. President's Letter
Department Activities
November

2/17/72 - JED
for Peter
for Peter
get Oster
insert
2/17/72

MEDICAL CENTER OF THE MARIANAS

During the period from November 4 through November 8, Bishop Flores and Mr. Peter Ada, Jr., Vice President of the Board of Trustees, were in San Francisco for presentations by the three architecture and engineering firms recommended for review by this department. Upon completion of these conferences, Rex Allen Partnership/Mackinlay, Winnacker, McNeil and Associates were chosen as the preferred group, with Skidmore, Owings & Merrill the second choice and Frank L. Hope & Associates the third. Negotiations with the Rex Allen team have already begun. On November 27, Bishop Flores officially appointed Foremost-McKesson as the managing developer for the subject project for both Phases II and III. Activation of these two phases will be subject to successful financing being developed by the Diocese with our cooperation.

Atlanta
KOREA - Seoul National University Hospital

On-site discussions in Seoul resulted in the surfacing of a request for "front money" prior to the signing of any contract. This was turned down by Foremost. Later correspondence has indicated that a local group would be interested in handling this area. As a result, negotiations have been kept open, but only under stringent regulations which have been reviewed by our Legal Department. No reply has been received to our outline of requirements.

KOREA - Daeyile Yanghaeng Co., Ltd.

The principals in this company continue to be optimistic and are now anticipating presenting us with a request for a production specialist to be on scene approximately March 1. The terms of the

→ QEMD JF Regent 10/11/72

96. Letter from K. R. Choi, Sang Rim Trading and Industries Co., to E. G. de la Ossa, Foremost Foods Co., dated December 9, 1972

Sang Rim Trading & Industries Co., Ltd.

Exporters, Importers, Military Suppliers & Manufacturers

Mr. E. G. de la Ossa
President
International Division
Foremost Foods Company
Crocker Plaza, One Street
San Francisco, CA94104
U. S. A.

1/16/73 SPW/H

Cable Add.
KIRIMCHOI
Int. P. O. Box: 2405
Seoul, Korea
Telephone:
72-8365

December 9, 1972

Dear Mr. de la Ossa

This letter will be handed to you by Mr. Cesar Y. Catibayan, president of Intercon Development Co., Inc., with which firm we have had business relation for many years. He is not Invited Contractor of the Eighth US Army in Korea but also reputed to honest among the local contractor here.

In a phone call to Mr. Baum with Mr. Hebosjo, he told of the most recent change in our plans. We did our best to understand your Foremost-McCloskey, Inc. which is one of the conservative firms in the States, and they finally agreed to terms of receiving political funds upon receipt of letter of credit. Mr. Catibayan will discuss in more detail upon his visit to your office.

I do want you to reconsider of this matter. I'm between the devil and the deeps. Besides, I explain to Mr. Baum that there will be projects of renovation and expansion of the Public Hospitals located throughout the land under the total estimates amounting to US\$67 millions start from Jan. 1973. Please take into consideration these business too.

I again, cordially solicit to reverse your decision on the deal if possible, giving grave consideration to the changed situation. In this connection Mr. Catibayan will explain in details to you in person.

Thank you very much for your patronage.

Sincerely yours,

K.R.C. Choi
K. R. Choi
President

97. Letter from E. G. de la Ossa, Foremost McKesson, Inc., to Donald Morse,
Intercon Development Corp., dated December 12, 1972

Foremost-McKesson, Inc.

Crocker Plaza One Post Street San Francisco, CA 94104

December 12, 1972

Intercon Development Co., Ltd.
139 Mitchell Avenue
South San Francisco, California 94080

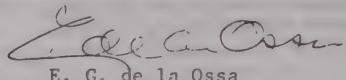
Attention: Mr. Donald F. Morse, General Manager

Gentlemen:

We hereby agree that upon our signing a prime supply contract for the Seoul National University Hospital facilities in Seoul, Korea with the Government of the Republic of Korea, and upon receipt of a Fifteen Million U. S. Dollars (US\$15,000,000) irrevocable confirmed Letter of Credit in favor of Foremost-McKesson, Inc., we shall promptly contract with your firm as a subcontractor to this project for certain mechanical and electrical equipment and services (expected to total approximately US\$5,000,000) and will honor your invoice in the sum of Five Hundred Thousand U. S. Dollars (US\$500,000) as a subcontractor advance. This advance is to be applied against amounts due you under the subcontract.

Very truly yours,

FOREMOST-MCKESSON, INC.


E. G. de la Ossa
Vice President

EGD:kmp

98. Letter from R. H. Baum to J. F. Rebosio, dated December 14, 1972



Mr. J. F. Rebosio
Seoul

December 14, 1972

R. H. Baum
San Francisco

Seoul National
University Hospital
Project

Dear Jack:

This memorandum is in answer to yours of November 15. The comments below are unofficial and have not been outlined or mentioned to Mr. Choi, the Fischer Engineering group, or any of the Korean parties interested in the hospital project. They will, however, give you a set of guidelines regarding our future posture regarding the total project.

As you know, recent developments in the Seoul National University Hospital Project have revived Foremost-McKesson's interest in the project. I believe that Mr. Choi's presence in Korea will facilitate the necessary local arrangements which will remain outside the realm of Foremost liability.

Our interest in the project will be maintained only if: (a) Foremost is officially approved as general supplying contractor under a cost-plus-fixed-fee contract and (b) the basic terms of this contract include the following:

1. Simultaneously with the signing of the contract with Foremost-McKesson, the Government of Korea agrees to open an irrevocable confirmed letter of credit in favor of Foremost-McKesson in the amount of the loaned funds guaranteed by the Export-Import Bank. These funds shall be made available to Foremost-McKesson as follows: (a) US\$2.25 million (15% of the cost of the project as estimated by the Seoul National University Hospital staff) with the signing of the contract and (b) a monthly drawdown based on invoiced services and shipping documents.

2. We will not be bound to prior agreements regarding pricing, subcontractors, suppliers, or other obligations or conditions without our approval and acceptance.

3. We will not accept a position of liability for goods or services supplied to the SNUH as their agent beyond that generally offered by the supplier or as limited by an agreement approved by us.

4. All goods and services will be supplied only against confirmed irrevocable letters of credit payable in U. S. dollars in San Francisco, California. Services will be available against a signed agreement and a letter of credit for such services before performance by reputable firms which will post a performance bond.

5. Should SNUH be required by U. S. lending agencies or guarantors to detail in some depth the total project, Foremost-McKesson would be happy to review the project to professionally re-establish its scope, cost, and specific areas of responsibility. This detailed analytical report would be presented to SNUH approximately 90 business days after signing an agreement of audit and recommendation on a cost plus basis with a guaranteed minimum of US\$37,500 payable as follows: 1/3 at the signing of the agreement, 1/3 at 60 days, and 1/3 at 90 days plus any residual owing on the cost plus base.

6. Korean-based and offshore subcontractors to Foremost, as general supplying contractor, will present their billings for goods and services in such a manner and so documented as to insure their acceptance under audit by financial institutions, governmental agencies, and taxing bodies both in Korea and the United States.

Best regards,

cc: E. G. de la Ossa
R. A. Fuller
J. C. Klaczynski

99. Intercon Development Corp. memo for the record by Donald Morse, dated December 15, 1972

INTERCON

December 15, 1972

MEMO FOR RECORD

At 3:00 p.m. December 14, 1972, after telephone discussions with Mr. Cesar Catibayan and his telephone discussion with the Korean Party, I again met with Mr. Russell H. Baum and Mr. Wesley R. Giles of Foremost-McKesson on the subject of the SNU Hospital Project, Seoul, Korea.

The particular subject under discussion was the three promissory notes and the three party agreement referred to in Mr. Catibayan's Memo for Record of December 12, 1972. It was decided that Foremost-McKesson would not officially know the contents of the three promissory notes that were subsequently to be issued by Intercon and no record of same was kept in their office. It was agreed, however, that Foremost-McKesson would issue a letter to Intercon agreeing that upon signing of a prime supply contract for the SNU Hospital Facility and upon receipt of a \$15,000,000.00 irrevocable Letter of Credit in their favor and upon signing of sub-contract with Intercon that they would honor Intercon's invoice for \$500,000.00 as a sub-contractor's advance.

Said letter was issued and dated December 12, 1972. With the backing of this letter Intercon can then issue the promissory notes required by the Korean Party.

INTERCON DEVELOPMENT CO., LTD.

139 MITCHELL AVENUE
SOUTH SAN FRANCISCO, CALIFORNIA 94080

P.O. BOX 2231

(415) 583-9873 or 761-7425

The three party agreement was also discussed and Foremost-McKesson stated that they would look into it and advise Intercon as to their thoughts about it at a later date.

Meeting was adjourned at approximately 4:45 p.m.

Donald F. Morse

DFM:mt

100. Foremost International intracompany correspondence from R. H. Baum to E. G. de la Ossa, dated March 19, 1973

Foremost International

a Foremost Accessory Company

INTRA-COMPANY CORRESPONDENCE

to Mr. E. G. de la Ossa

DATE March 19, 1973

FROM R. H. Baum (per K. Pancoast via telephone call from Seoul this morning) Seoul National University Hospital Project

The project appears very favorable. A Mr. Um, Executive Vice President of General Motors/Korea, is working for Foremost interests with regard to the project. He will be arriving in San Francisco on Pan Am Flight 846 on Friday, March 23, at 0735, to speak with you regarding the project. He will be departing later that afternoon for New York and Washington. Wes Giles is to go to the airport to meet him. This man is a good friend of Mr. Tai who is Minister of the Economic Planning Board and Deputy Prime Minister.

Dr. Kim (Superintendent of SHUH) has also had meetings with a Dr. Wei of the EPB (Economic Planning Board). Dr. Kim is on Foremost's side in this project and has managed to stop Epstein's attempt to get the project. However, Whiting Associates is still in the picture. Whiting claims it is an American hospital and architectural consulting firm with offices in Italy. It has entered into a joint venture with Perkins & Will International, the international arm of Perkins & Will, architects and engineers and hospital consultants, with offices in Chicago, New York, and Washington. Whiting's proposal for the project amounts to \$199,313. We should try to beat this figure if possible, say about \$195,000, but in any event not more than \$200,000, according to Dr. Kim and Mr. Um. If we can get a competitive price of about \$200,000, Dr. Kim will see that we get the whole package.

With regard to the SHUH project, we are involved ONLY in the designation, specification, procurement, and installation of U.S. equipment for the hospital under the EXIM loan. We are not involved in any of the completion of construction on the hospital itself. I viewed the hospital as it stands in its present rough form, i.e., concrete walls and conduits in, floor unfinished with bricks lying around and pipes sticking out. Again, we are not concerned with construction problems but only with the procurement and installation of equipment.

The project proposal is divided into three sections:

- (1) the A & E hospital group.
- (2) the mechanical group.
- (3) the electrical group.

Whiting has put together its proposal for the three sections as follows:

- (1) A & E hospital group - 70 man days in Korea, 190 days local, and 5 man trips.
- (2) Mechanical group - 80 man days in Korea, 130 days local, and 4 man trips.
- (3) Electrical group - 60 man days in Korea, 90 days local, and 3 man trips.

This is a total for Whiting of 210 man days in Korea, 410 days local, and 12 man trips versus 262, 418, and 31 respectively for Foremost. In addition, they will have a local project coordinator. The \$11,000 "slush fund" is evidently not now needed since President Park has intervened personally in the project.

We could take this job at almost no profit (about \$2,000). One way to cut costs would be to forego a lot of our trips. However, we will give them a good price only if we are the approved general contractors.

Wes Giles should write a letter to Dr. Kim stating that there was a mistake in our lump sum for electrical and mechanical activities and enclosing a revised proposal. This amended detail will substantiate my letter of March 20 written during my stay in Seoul. It will allow Dr. Kim to develop an accurate analysis of the detail required under the EXIM loan.

I must have today if at all possible (late afternoon San Francisco time) the dollar amount (an absolute minimum) of our new proposal for incorporation in my letter of March 20. Wes Giles should tele this amount to me at the Chogun Hotel, Room 1617, telex 2456S.

Russ (S)
Russell H. Miles

RHB:Rop
cc: W. R. Giles
B. Rockey (J)

101. Intercon Development Corp. interoffice correspondence from Donald Morse to Cesar Catibayan, dated February 22, 1973**INTER-OFFICE CORRESPONDENCE**

To: Mr. Cesar Catibayan
From: Mr. Don Morse
Subject: Phase I

Date: February 22, 1973
Ref.: ISF-13

I have had several conversations in the last week with Foremost and just finished a rather lengthy one with Mr. Giles.

They evidently convinced Exim Bank of the necessity of an A & E survey and got them to agree to entertain a request from SNU to finance same. They have telephoned and written the figures on the breakdown of the cost to SNU on February 21, 1973, so by the time you see this IOC, SNU will have the figures and probably will have made their request to Exim Bank.

Foremost expects that once they start the A & E survey that it could be accomplished in 60 to 90 days at which time SNU would have a complete up-to-date list of material and equipment requirements, modifications to the building, if any, and updated price estimates for a realistic application to Exim Bank.

I also understand that Kern from Exim Bank will be Seoul during the early part of March to talk with the SNU people.

I asked Mr. Giles if he required our assistance at any stage of their A & E survey and he said no, that they would be using hospital experienced personnel only, but that their quote, naturally, includes arrangements for political consideration so we might be called upon for dispersement of same.

He stated that once the survey is done, accepted and the loan arranged, then we would be back at the point where SNU tried to start off last August. At that time they would be willing to consider the sub-contractor agreement with us. My worry at this point is that if Foremost makes the A & E survey and gives SNU updated pricings, they are going to have to be in contact with the major manufacturers of the electrical and mechanical equipment and most likely will spec certain brands, as did SNU. In doing so they are going to get direct quotations so that our costs will most likely be the same as theirs, not leaving any room for us in the picture. We'll have to be sure that Charlie and Peter see to it that we have to be included one way or another or they may not be able to get their part of the deal.

I'll let you know if I hear anything further.

Best regards,

Don Morse

DFM:mt

102. Intercon Development Corp. interoffice correspondence from C. Y. Catibayan to Donald Morse, dated March 23, 1973

INTER-OFFICE CORRESPONDENCE

To: Mr. Don Morse
From: C. Y. Catibayan
Subject: Phase I

Date: 23 March 1973
Ref.: IK-7

Confirming my phone conversation with you today and yesterday, it looks to me that this project would finally get-off the ground - at least with the A-E study. As I told you Russ Baum arrived here on March 15th and I made myself present at Kimpo to meet him. Of course, Charlie was also at the airport and from there, we met at the Foremost office in Seoul. Charlie indicated during our meeting that FM's A-E estimate was out of reason since it came up to \$300,000. while our competitor, Whiting's Int'l's estimate was only around \$200,000. After a series of negotiations with the agencies involved, Charlie was able to convince Baum to cut down the estimate from \$300,000. to \$196,000. As of yesterday, I was advised by Charlie that FM's estimate has been accepted and approved and was presented for consideration to the president of EXIM bank who was in Seoul.

Now, I had a serious talk with Baum about our role on the A-E study. FM expects us to work very closely with them especially on the mechanical and electrical portion which we are subcontracting. They expect you to provide the FM engineers with the brands, models, etc. of our equipment and materials during their preparation of the specs. Baum also expects our engineers here to assist their people when they come to Seoul. We did not discuss, however, the extent of technical assistance which we have to contribute.

At any rate, we should proceed with the incorporation of Apex as we have planned. I am enclosing herewith my check for \$393.00 to take care of Mr. Patmont. In addition, I am also remitting \$350.00 to cover the legal services of Mr. Patmont to FEMCO.

I have other plans for Apex in connection with the Philippine highway project. I'll let you know as soon as I discuss them with the rest of the people here.

Regards,

Cesar

Encl.

**103. Intercon Development Corp. interoffice correspondence from Donald Morse
to Cesar Catibayan, dated June 5, 1973**

INTER-OFFICE CORRESPONDENCE

To:	Mr. Cesar Catibayan	Date:	June 5, 1973
From:	Mr. Don Morse	Ref.:	ASF-2
Subject:	AK-1		

I have received your referenced letter and attached B/M, per our recent telcon. I think we would be much better off with a joint venture than with an arrangement such as we have with Foremost where we are only being kept involved because of "Charlie's" "commission". However, in preliminary discussions with Chrysler Corporation today they indicate that they could not go into a joint venture but would be interested as a sub-contractor to us, or as a direct contractor where we would only act as commission agents. But, as they cannot supply all items, they really could only be one of several sub-contractors to us.

Because of the simplicity of this Phase II I really do not see why we could not act as the supply contractor with Exim Bank in this instance. There is no engineering or installation involved that I can see. We would merely be acting as exporters to the consignee except that we might have to set up a local bank to handle the 45% and the distribution of Exim funds and this we can do easily unless the terms are unreasonable. If Charlie is agreeable, why don't we approach it from this angle. The fewer people involved the lower the price to the end user.

I need to know more about this job before we can do much quoting. Who is the end user, what is the application of the trucks, on road or off road, etc.? What is their estimated delivery time, 1 year, 2 years, etc.? What is their application amount? How long a loan do they want? etc.,etc. Please try to fill me in as much as possible. Suppliers will need most of the above as will the banks before we can come up with much firm information for them. Like Phase I, I don't want to go off half-cocked and do a lot of work that has to be repeated when full information is finally received.

Re Phase I, I talked to Mr. Baum today and he indicated that they are still waiting finalization of the financing before starting their survey. They definitely do not want me as part of their survey in Korea. He indicated that a part of their survey will be to come up with prices and I gather from his conversation that they plan to make direct contact with the manufacturers to do this. However, he did say that before they were finished he and I would have to get together to decide final figures because only he and I know the details of the "deal". If they want to do all the work and we still will get our profit, that is fine with me, but I wonder at times if we are not being eased out of the picture. If it wasn't for "Charlie's deal" I am sure we would be. I'll keep after this end and you might keep an eye on that end once their survey team gets started.

Best regards,

D. F. Morse

DFM:mt

104. Intercon Development Corp. interoffice correspondence from C. Y. Catibayan to Donald Morse, dated June 16, 1973

RECEIVED

JUN 19 A.M.

F E M C O

To:	Don F. Morse	Date:	16 June 1973
From:	C. Y. Catibayan	Ref. :	AK-2
Subject:	Your SFSP-10, ASF-1, ASF-2 and ASF-3		

(Don, I'm only sending you the Xerox copy because I've had GK sign the original.)

SFSP-10. I am transmitting herewith the minutes of the First Meeting of the Board of Directors. You will note that the subscribed common shares has been set up to 20% and the paid up from subscription is only 25%. This, I believe, is the universal practice in most newly organized corporations. I don't think that we will have any problem in raising \$3,750.00 among the five of us. The list of officers is allright for the next fiscal year. I think that July 1st is a good start of our fiscal period. Annual meeting of shareholders and election of officers should be held on or about June 15 of each year. This is a good summer vacation time where you could make a trip to Seoul or Manila. I will have to get Don Fischer and GK's signatures on the waiver of notice so will send the papers to Manila thru Mr. Lee who is leaving on Monday, June 18th. Don and George will all be in the Philippines come June 25th for the official ground breaking ceremony of our project. GK is there now.

AKS

ASF-1. Immediately after receiving your instructions, I notified Don Fischer in Taiwan who happened to be there at the time, to approach the China Wire & Cable Co. I am sure that this matter has been taken care of.

ASF-2. Charlie assured me that on Phase I, there will be no way that we won't get our commission. I told him that regardless of whether we do the mech-electrical work or not, ~~we~~ want 5% commission for Apex or Intercon from Foremost. He would straighten this with Mr. Baum.

On Phase II, I am confirming my telephone conversation with you regarding the details which you want to be filled in.

- a) The end user is Korea Express Company, Ltd.
- b) Application of the trucks is "On the Road".
- c) Delivery requirement is the "Best Delivery Period."
- d) Estimated loan amount is \$12 million.
- e) Period of loan is 2 years grace period and payment within 12 years.

I agree with you that Apex could act as the direct supply contractor esp. if we could arrange the 45% commercial loan as guaranteed by EXIM.

AK-2
16 June 1973

✓ ASF-3. The Bio-Quad products sound very interesting and as soon as I reach Manila, I will work on this. I don't think that Don or GK had tried to set up any demonstration of this soil and asphalt treatment material.

General Comment. I think that most of Apex's exporting business could be generated in the Philippines as soon as I get myself settled there. I plan to leave here on July 15th with the whole family.

Regards,


Cesar

E. C.
E. C.

105. Intercon Development Corp. interoffice correspondence from C. Y.
Catibayan to Donald Morse, dated June 27, 1973

INTER-OFFICE CORRESPONDENCE

To: Mr. Don Morse
From: C. Y. Catibayan
Subject: General

Date: 27 June 1973
Ref.: FK-86

The accident of Ray and Mr. Sohn surely hurt us, not only the loss of lives but also financially. The bus company is demanding for the replacement of their Mercedes bus plus the loss of its daily income. If the bus could not be replaced, the estimated repair cost plus income loss is approximately \$45,000.00. Our insurance coverage is only up to \$10,000.- property damage. In going over the repair cost estimate, I took their bill of materials for the parts and I am transmitting to you to find out if you can obtain these parts faster than getting them from Germany. Time is of the essence as this could reduce the daily income damage. Another alternative for us is to find a bus of similar model and year and ship it to Korea. The engine of the wrecked bus is intact and could be transferred to the incoming bus. Perhaps you can discuss this matter with the Mercedes dealer in SF and could perhaps contact Germany for the body of a bus. I will call you on Tuesday (Korea time) morning regarding this as I have another meeting with the bus company officials and insurance people around Tuesday noon.

OK SPSP-11. Charlie's account is all squared now and you can give him the balance of \$398.29 in San Francisco.

OK Proforma Invoice - Misc. Lights, Tools, etc. Per my phone advice, item 1 is deleted and items 2 thru 7 are acceptable. Sampoong would like you to send the parts breakdown of item 8. They feel that the cost is quite high but again, it depends on what the set consists of. They said that they do not need the tools and spare parts for the sewer cleaning machine.

OK ASF-4. Charlie should be able to discuss Phase II with you when he gets there. You can ask him all the questions including their percentage. If we are the prime supplier, our margin should be at least 10%. Charlie's group definitely would have the same cut as Phase I. Charlie will show you a new request for quotation under an ADB loan. Please annotate this as Phase III.

OK Absolutely, you must have a letterhead printed for APEX with all the correspondence you are sending to Hong Kong and Manila.

Guess that's all for now.

Regards,

Cesar
Cesar

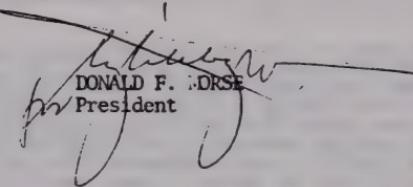
Encls.

106. Memorandum for the record by Donald Morse, Intercon Development Corp., dated December 5, 1973

MEMO FOR RECORD

Apex International has provided a Contingency Reserve of TEN PERCENT (10%) of the estimated gross supply contract amount in its subcontract estimate to cover such items as consulting services for technical, legal, economic, liaison and administration during the entire period of contract performance which is estimated not to exceed three (3) years from the contract date. The said percentage was submitted to Foremost-McKeeson as a contingency factor in Apex International's subcontract estimate.

Date: 5 Dec 1973


DONALD F. MORSE
President

KI RIM CHOI, President
Sang Rim Trading & Industries Co., Ltd.
Room No. 905, Yusung Bldg.
No. 111, Sejong-ro, Chongro-ku
Seoul, Korea

107. Intercon Development Corp. interoffice correspondence from Donald Morse
to Oliver Lim, dated January 4, 1974

INTER-OFFICE CORRESPONDENCE

To: Mr. Ollie Lim

Date: January 4, 1974

cc: Mr. Don Morse

Re: ASF-24

Attn: SWH Project

I have received some of the information given me by Foremost with regards to the deletions from the contract on Phase I.

Because the actual change on the intercom system is not clear I can only estimate figures, but it looks like they have taken out about \$2,410,000.00 worth of electrical items, including \$78,811.00 worth of factory installation. This figure is based upon our selling price to Foremost and represents about \$110,000.00 worth of profit. In addition I would estimate our selling price less on the plumbing fixtures at around \$330,000.00 for a total reduction of about \$2,760,000.00. It is too bad to lose the profit on these deletions, but maybe we can make part of it up in other ways.

To clarify for you the installation figures that we submitted I am enclosing a hand written revised recap in which you will note we used your basic figures but added to the direct labor figures to cover the elevators, patient wall system and acoustical ceiling installation. I also added \$4,000.00 for the trowel on floor because factory installation figures were much higher than yours. This, of course, affected your overhead and profit figure and raised the total Apex installation to \$930,090.36. I added a contingency of 889,752.64 for a total, including everything, of \$1,828,842.00. Because Foremost wanted this broken down into U.S. & Korean costs and labors I took 53% of your direct supervision figure plus your 25% overhead and profit figure and arrived at a total U.F. portion of Apex's in a K. Won figure of \$240,849.00 (see bottom of recap). This included an additional \$1,800.00 added for the patient wall system as covered by my letter of December 19, 1973 to Foremost International.

This left \$787,200.00 strictly applicable to Korean labor, equipment cost, etc., and payable in Korean won. Now, with the deletion of all the Korean won items from the contract, it leaves us and/or Foremost without any Korean installation money, and thus, will delete the actual installation from the contract. The U.S. dollar portion of Apex's installation, namely \$240,849.00, plus the U.S. Factory supervision and/or installation has been left in, which is good; but it leaves the hospital paying for our supervision, overhead and profit without our having a contract to do the actual work or a way of collecting for it if we did.

I suggest that you discuss this with Charlie and possibly we may want to negotiate a separate Won contract with the hospital for the Korean portion of the actual installation. By the way, all dollar figures quoted in this letter are our selling price figures to Foremost. They added to these figures for their profit, overhead, Charlie's portion, etc., so my quoted figures may not agree with any that you or Charlie may have from Foremost.

If you do negotiate an installation contract with SNUH, do not delete any installation costs on the plumbing, because even though they have removed the "china" portion of the plumbing from the U.S. supply it still has to be installed. In fact, you may want to increase your plumbing installation figure because we would have to assemble the U.S. "trim" on the Korean "china". (If possible?)

Based upon your direct labor figures I would recommend you reduce the electrical bid by not more than \$21,500.00 to cover the deleted electrical items. In fact, maybe you should only reduce a small token amount of, say, \$5,000.00 or \$10,000.00. This, of course, is up to you, but because the Koreans originally thought our installation figures were too low I think we can get by with higher prices in some areas.

I have just discussed this with Wes Giles and Burt Rockwell and they tell me that they submitted a price of \$1,009,400.00 based upon our \$787,200.00 figure plus 10% for Charlie and their profit. They felt that we could easily negotiate a \$1,000,000.00 figure for the Korean installation. In so doing we should include 10% for Foremost because we may well need their help and cooperation in the final stages. I do not think this figure should include anything for Charlie on a Won contract but then that is up to you and him to decide.

I'll await your comments on the above with extreme interest.

Regards,

D. F. Morse

DFM:mt
cc: C.Y.Catibayan, Manila

1 C. What about Apex, when was that first started?
2 A. Oh, around -- I can't remember.
3 Q. Approximately?
4 A. I was never too much interested.
5 C. Okay. You are a vice chairman of Apex; is that
6 correct?
7 A. Vice President, I think my last title was. I was a
8 director for a long time and now ^{I'm a} Vice President.
9 C. Could you describe the type of business that
10 Fischer Engineering and Maintenance Company is engaged in?
11 A. Well, ours is heavy construction, maintenance of
12 equipment and maintenance on government contracts.
13 C. In Korea?
14 A. In Korea.
15 C. Therefore, ^{FEMCO IS} ~~there~~ a so-called U.S.-invited
16 contractor ^{is that correct}
17 A. This is true, ^{is} U.S.-invited contractor. And also we
18 have contracts in the Philippines.
19 C. Could you explain to us what restrictions the
20 category of U.S.-invited contractors are under in Korea?
21 A. As invited contractor, ^{is} in order to do business on
22 the commercial side, that is the Korean side, I would have to
23 get an approval from the United States Government and the
24 Korean Government.
25 This is because of the SOFA Agreement. This is ^{under} ~~as~~

1 the SOFA Agreement.

2 C. ~~Would~~ you explain what role you have played in the
3 operations of Apex?

4 A. Well, actually ~~since~~ after Apex was formed, ~~and~~
5 being so busy on the FEMCO operation, I never did do too much
6 with Apex.

7 C. Would you have a decision-making role with respect
8 to policy?

9 A. The paper would go across my desk if any changes
10 were made.

11 Q. Let me give you an example. If there was
12 correspondence between Apex, San Francisco/~~Furlingame~~, and
13 ~~Apex~~/Korea, would that correspondence reach your desk?
A.

14 A. Some of it would; Most ~~would~~ not.

15 C. ~~That~~ who would handle that ^{kind of} correspondence?

16 A. ~~That~~ would be Mr. Lim, Oliver Lim.

17 Q. Are you familiar with an individual named Choi Ki
18 Rim?

19 A. Is that Mr. Choi?

20 Q. Yes. Actually I don't know what his full name is, his full
21 Korean name. I always say Mr. Choi and he calls me Mr.
22 Krause.

23 Q. When did you first meet Mr. Choi?

24 A. I met Mr. Choi maybe 1970, in that area someplace.

25 C. Where was that?

**109. Foremost International intraoffice correspondence from Burton Rockwell
to R. H. Baum, dated May 14, 1974**



Foremost International

a Foremost-McKesson company

INTRA-COMPANY CORRESPONDENCE

CONFIDENTIAL

TO Mr. R. H. Baum

DATE May 14, 1974

FROM Burton Rockwell

RE Seoul National University
Hospital Visit/May 4-11,
1974

In my reports concerning my recent visit to Korea, I have not expressed the sense of real urgency which I feel in regard to the Seoul National University Hospital (SNUH) project. This program for finishing the teaching hospital is a significant one to Korea. It will provide advanced medical facilities for training badly needed physicians and surgeons for all Korea and is necessary to implement the social programs of President Park and the Republic of Korea. Delay will impede the administration's program and have both social and political consequences.

The Government of the Republic of Korea (ROK) has expected Foremost-McKesson to negotiate a contract for supplying all of the U. S. material and services needed to complete the hospital under an Export-Import Bank loan program. Since designating Foremost as a contractor for the Phase I Report, neither the ROK nor the hospital has entertained or encouraged any other prospective contractor even though they have been approached by others who are interested. They have wanted to deal with one responsible and prestigious corporation to get the job done expeditiously. They have officially notified the EXIMBANK that they wish to negotiate a contract specifically with Foremost-McKesson, Inc. The Economic Planning Board (EPB) of the ROK and the EXIMBANK have accepted Foremost's estimate as a basis for the negotiations and loan even though the estimate indicated a contract price nearly twice what was contemplated at the time Foremost was designated for the Phase I work. All indications are that Foremost can negotiate a contract price that assures more than merely satisfactory profit and ample protection against the risks involved.

Although at the University level the professors of law who participated in discussions concerning the contract would like to introduce various provisions in the contract which Foremost-McKesson would probably not accept, I have been given to understand by EPB

spokesmen that they will not in fact participate in the contract negotiations and that their narrow views will not be incorporated.

The impressions I have recorded above derive from several sources: Dr. Kim, Hong-Ki, Director of SNUH, and other university officials; Mr. Wei, Sung-Yong, First Loan Officer of the EPB who has been our principal contact with the ROK; and Mr. Um, a distinguished citizen of Korea, former Minister for the EPB, head of General Motors of Korea, and personal friend of President Park. A special audience was arranged for me with Mr. Um, particularly, I believe, to convey the administration's intense concern with the project and its dependence on Foremost's negotiating.

Mr. Um and Mr. Wei made it clear that Foremost's present reputation in Korea is very good but that it depends upon Foremost's negotiating a contract. They pointed out that to be sure that Foremost would be interested, they have not invited any competition nor disputed any of Foremost's cost estimates and in every way have sought to favor Foremost. They indicated that it will be very embarrassing to the government and to the administration, including President Park himself, if Foremost lets them down. I received the impression of a warning that Foremost's operation in Korea would suffer if Foremost declined to negotiate.

I cannot be sure, of course, that I have interpreted the situation correctly, but I believe that I have. I do not know that the government would be able to adversely affect Foremost's operations or whether they would indeed try to if the caveat were ignored. However, I believe that this matter is of such importance to the Koreans that it should be brought to your attention as you determine whether to proceed with negotiations.

I believe that the contract is of such importance to the Koreans that Foremost can write a very good contract protecting its every interest and at a noncompetitive price with adequate safeguards for risk and profit.

It is entirely possible that the safeguards and provisions that Foremost would insist on might not in the end be acceptable to the Koreans and that a contract might not result, but this I feel is not a likely result and in any case would not be the affront to the Koreans that unilateral refusal to negotiate would be.

The same informants have also indicated to me that this hospital is the first of a series which the Government plans to extend to all of Korea over a period of years. This does agree with published reports of the health care plans and intentions of the administration. I believe that if the SNUH Phase II contract should be successfully negotiated, it could be considered as the first of a series of potential contracts.

Mr. Mel Whiteley, Manager of Foremost's military operation in Korea, was kind enough to accompany me to the meetings with Director Kim, members of the government, and Mr. Um. I believe that his interpretation of the implied adverse effects on Foremost's presence in Korea coincided with mine. Indeed, on the basis of his many years of residence in Seoul, he has deep apprehensions about the effects of a refusal to negotiate on the Foremost-McKesson operations in Korea.

I have not voiced these concerns of mine, except in this report to you personally.



Burton Rockwell
Burton Rockwell, F.A.I.A.

cc: N. J. Denaut (at Mr. Baum's request)

**110. Letter from Donald Morse, APEX International, Inc., to Burton Rockwell,
Foremost International, dated June 14, 1974**

APEX
INTERNATIONAL INC.

P.O. BOX 2561 — SOUTH SAN FRANCISCO, CALIFORNIA 94080
TELEPHONE: (415) 583-9873 OR 761-7425

June 14, 1974

Mr. Burton Rockwell
Foremost International
One Post Street
San Francisco, California, 94104

RE: SNUH, Dumbwaiters

Dear Burt;

I received the promised telephone quotation from Otis Elevator Company today, giving me the revised pricing as we requested in our meeting last Monday with their Mr. Morrison.

I list below Foremost's costs F.O.B. port of export, W/O "J" factor, for your information. These prices are based upon those in effect as of February 28, 1974.

<u>4 each cart type as originally quoted.</u>	<u>4 each counter type with 2 speed.</u>	<u>4 each counter type with 1 speed.</u>
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\$40,635.00	\$34,380.00	\$29,675.00
-------------	-------------	-------------

Todays prices for these same units is	\$40,110.00	\$34,760.00
--	-------------	-------------

The current prices for the two dumbwaiters for the Pharmacy, drum type, single speed, with machinery below would be \$14,825.00 F.O.B. port of export.

None of the above figures include installation costs.

I hope this will be helpful.

Yours, very truly,

APEX International, Inc.

D.F. Morse, President

111. Interoffice correspondence from Donald Morse to Oliver Lim, dated June 19, 1974**INTER-OFFICE CORRESPONDENCE**

To: Mr. Ollie Lim Date: June 19, 1974
From: Mr. D. F. Morse Ref.: ASF-38
Subject: S.N.U.H. Installation Contract, My ASF-36

In the figures given you under referenced letter we gave you a total of \$837,744.00 as a contract item C-1 total. This figure included the original Apex Korea supervision as well as the Electrical, Mechanical and Architectural factory supervision but did not include anything for Medical installation supervision, nor did it include a J factor as per our letter ASF-26.

For the records we should add \$664,400.00 for the Medical factory and Apex installation to the \$837,744.00 giving us a total of \$1,502,144.00 for contract item C-1.

The \$664,400.00 figure includes the J factor which was added to the total medical package and is not based upon a set percentage. I'll have to explain this when I get to Korea. In the meantime please find out from "Charlie" if he is expecting the J factor to be included in our installation contract so that we can adjust the figures accordingly. Because the amount of contract item C-3 (Design services) has already been reported in the Phase I report it will be difficult to add a J factor to it, but we could add it to the other figures, if necessary.

Please try to have an answer on this ready when I get to Korea so that we can cover this with Cesar prior to negotiations.

Best regards,

D. F. Morse

DFM:mt
cc: Burton Rockwell

112. Interoffice correspondence from R. H. Baum to N. J. Denaut, dated June 20, 1974

Mr. N. J. Denaut

June 20, 1974

R. H. Baum

Seoul National
University Hospital

In August, 1972, we were invited to bid as the general supplying contractor on U. S. equipment and services needed to complete the Seoul National University Hospital. We were given a list of materials prepared by the hospital staff for our review. At that time, there was an Export-Import Bank preliminary commitment to the Government of Korea (GOK) for \$10 million. This was later increased to \$15 million.

In February of 1973, a review of the materials by our group indicated serious flaws and we recommended to both EXIMBANK and the hospital that this project be audited under a Phase I Study, which we proposed to undertake for approximately \$195,000. This was accepted by EXIMBANK and the GOK in April of 1973. However, funds were not made available for the project by the Koreans until August of 1973.

The Phase I Study was completed in December and included commodity and service prices which were firm until February 28, 1974. After that time, these prices were subject to a 3.1% per month escalation until June 28. By this date, it would be necessary to obtain new conditions. This deadline will pass without action on the part of the GOK, the hospital, EXIMBANK, or Foremost-McKesson.

Throughout all of the discussions regarding the project, a very strong politically oriented group of influential Koreans has been working unofficially to insure Foremost-McKesson's receiving the general supply contract for commodities and services. We have been given to understand their influence extends downward from the uppermost levels of the executive branch of the government. Personal conversations with several members of our project team, with Mr. Whiteley in Korea, you, and the writer have indicated that one of the most influential of this group has strongly intimated that Foremost's effectiveness in its present activities in Korea and its potential for expanding its role in other commercial ventures could be very seriously hampered or curtailed should we not make every

effort to negotiate a supply contract with the hospital and the GOK. With this pressure and Foremost-McKesson's need to maintain good relations within the country because of our present commitments, we are prepared to go to Seoul to present our dual contract concept to the hospital and the Economic Planning Board of the GOK on June 25.

FOREMOST-MCKESSON CONTRACT
(Commodities Contract with estimated value of \$27 Million)

- I. Purchase Price - FOB Inchon.
 - A. Title to pass upon loading of equipment at U. S. port.
 - B. Freight and insurance adjustments to the account of the Buyer.
 - C. Purchase prices quoted subject to the cutoff date specified in the contract, Paragraph 22.
- II. Terms of Payment.
 - A. 10% paid by unconditional negotiable promissory note payable jointly to Foremost-McKesson and the Chase Manhattan Bank unconditionally guaranteed by the GOK for 36 months. Note to be interest-bearing with principal and interest payable in 24 equal installments beginning on the first anniversary date of the note.
 - B. Note to have the interest rate set at a level which, at Foremost's option, will allow it to be discounted without recourse and to return to Foremost the full face amount of the note.
 - C. 90% paid by confirmed irrevocable letter of credit in U. S. Dollars payable to Foremost-McKesson at the Chase Manhattan Bank with the proviso that 10% of the purchase price will be paid to Foremost-McKesson immediately upon the signing of the contract. The remaining 80% to be available to Foremost-McKesson by sight draft with documents.
- III. Duties and Taxes.
 - A. To the account of the GOK.
- IV. Warranties and Limitation of Damages.
 - A. To insure clarity and accuracy of understanding, refer to Paragraph 7, Pages 6 and 7, of the attached contract.

V. Effective Date.

- A. Contract to be effective after approval by Foremost-McKesson Board of Directors, establishment of letter of credit, and signing of promissory note.

**APEX INTERNATIONAL CONTRACT
(Services Contract with estimated value of \$3 Million)**

This will be a completely separate contract which will run between Apex International, a U. S. subsidiary of Fischer Engineering and Maintenance Company, and the Government of Korea. This will eliminate Foremost-McKesson responsibility for services performance and maintenance warranties.

ESTIMATED BREAKDOWN OF FOREMOST-MCKESSON CONTRACT COSTS

February 28, 1974
(000's omitted)

<u>Procurement Cost to Foremost-McKesson</u>	
Mechanical	\$ 4,689.3
Electrical	2,598.8
Architectural	3,511.0
Redesign contingency	378.4
Subtotal - MEA	<u>\$11,177.5</u>
Medical Equipment	6,764.5
Medical Expendables	1,680.0
Subtotal - Medical	<u>8,444.5</u>
Subtotal - Procurement	<u>\$19,622.0</u>
Ocean Freight and Insurance	<u>781.9</u>
Subtotal - Foremost Costs	<u>20,403.9</u>
Administration	940.2
Profit	1,077.9
Subtotal - Administration & Profit	<u>2,018.1</u>
TOTAL CONTRACT	<u><u>\$22,422.0</u></u>

You will note that the figures given above are based on the February 28, 1974 prices contained in our Phase I Report. Earlier in this memorandum, we mentioned figures of \$27 million for commodities and \$3 million for services. These are only ROM estimates as to what the face value of the contracts will be in the fall of 1974.

Russell H. Baum

RHB:kmp
cc: T. E. Drohan
B. Rockwell

113. Letter from Donald Morse, APEX International, Inc., to Burton Rockwell, Foremost International, dated June 24, 1974

APEX

INTERNATIONAL INC.

P.O. BOX 2561 — SOUTH SAN FRANCISCO, CALIFORNIA 94080
TELEPHONE: (415) 583-9873 OR 761-7425

June 24, 1974

Mr. Burton Rockwell
Foremost International
One Post Street
San Francisco, California

Re: S.N.U.H. -- Central Vacuum System

Dear Burt,

Confirming our telephone conversation of today we estimate minimum saving to S.N.U.H. of about \$53,203.00 by using a central vacuum system for carpeted areas only and using portable equipment for the rest of the hospital.

These figures, based upon telephone information received from Phil Gaunt, are arrived at as follow:

Original February 28th Foremost cost without J factor	\$111,771.00
Budgetary figure for 26 stations central vacuum system (maximum) including export packing and inland freight to the port of export	\$29,568.00
Portable equipment per information being supplied to you by Phil Gaunt	<u>\$29,000.00</u>
Total cost revised system	\$ 58,568.00
Savings	<u>\$ 53,203.00</u>

I hope this is of use.

Yours very truly,

APEX INTERNATIONAL INC.

D. F. Morse
President

DFM:mt

114. Letter from Donald Morse, APEX International, Inc., to Burton Rockwell,
Foremost International, dated June 28, 1974

APEX

INTERNATIONAL INC.

P.O. BOX 2561 — SOUTH SAN FRANCISCO, CALIFORNIA 94080
TELEPHONE (415) 583-9873 OR 761-7425

June 28, 1974

Mr. Burton Rockwell
Foremost International
One Post Street
San Francisco, California

Re: S.N.U.H., Revised CATV System

Dear Burt,

We have received the following price information from the RCA people which I pass on to you for what it is worth.

Using the same type of top grade color cameras as previously specified but with the reduced quantities as specified in Dr. Kim's letter of May 11, 1974 the cost to Foremost (without J factor) would be \$394,300.00 for material and installation would be an additional \$59,150.00.

While I have not discussed this with Mel Camisa, as there has not been time, it is possible to use an intermediate color camera system for about \$253,000.00 and a black and white system for about \$185,000.00. The installation figure could also be reduced somewhat upon more clarifications as to how they want the system installed, etc. This would probably have to be developed in Phase II work, however.

I hope the above is of use.

Yours very truly,

APEX INTERNATIONAL INC.

D. F. Morse
President

DFM:mt

115. Memorandum from Burton Rockwell to R. H. Baum, dated September 13, 1974

BURTON ROCKWELL, F.A.I.A.

ONE BELMONT AVENUE
SAN FRANCISCO, CALIFORNIA 94117
TELEPHONE [415] 564-2148

September 13, 1974

MEMORANDUM

To: Russell H. Baum, Vice President
Foremost International

Don Morse, President of Apex International, called today at about 10 p. m. from Seoul, Korea;

Mel Whiteley of Foremost was with Mr. Morse and also spoke with me.

Don Morse reported that the Foremost International cable sent earlier today indicating Foremost-McKesson's withdrawal from negotiations was received very unfavorably by the Koreans. There has been a great loss of face by important citizens. Mr. Morse and Mr. Whiteley had been called to a meeting with "Charlie and his boss" which would mean Mr. Choi and Mr. Um who gave the "the message" in "no uncertain terms." Presumably more explicit messages were considered imprudent even over the military phone system.

Mr. Morse wanted to know whether there was any possibility of mitigating the F-McK action. He fears that his other contract for Eximbank-supported supply will be cancelled and Femco-Apex's position in Korea will be jeopardized unless something is done to relieve the present tense atmosphere of resentment.

I said that I understood the withdrawal by F-McK to be final but that I would relay his concern to you.

Mr. Whiteley is also actively concerned and believes that the situation created in Korea by F-McK's action if fully understood in San Francisco headquarters would lead to some modification of F-McK's position. He indicated he would try to telephone you and Howard Kizer and thought it urgent for someone to talk to Mr. Dinaut. He seemed to feel that he, Jim Blume and others were in for a hard time. Some action to rescue the Koreans who have considered themselves friends and promoters of F-McK's interests from loss of face which can ruin their careers would be in everybody's interest.

I promised to convey the strength and urgency of his concern to you.

Burton Rockwell

(Note, 9/15/74: I was unable to reach you by phone. May I, personally, urge consideration of these entreaties.)

116. APEX International, Inc. memorandum for the record by Donald Morse,
dated October 4, 1974

APEX INTERNATIONAL INC.

Memo for the Record

Re: Phase I

October 4, 1974

Meetings and discussions held by Mr. D. F. Morse:

September 23, 1974	Met with Mr. Russell Baum and Mr. Wesley Giles.
September 26, 1974	Had telephone meeting with Mr. Burton Rockwell.
September 30, 1974	DITTO
October 1, 1974	DITTO
October 2, 1974	DITTO
October 3, 1974	Met with Mr. Neal Denaut, Mr. Wesley Giles and Mr. Burton Rockwell.

My initial meeting with Mr. Baum and Mr. Giles was for the purpose of conveying to them (Mr. Denaut was out of the country) the situation in Korea regarding their refusal to proceed with the Phase I contract. While sympathy was expressed for the people involved in Korea I was told that Foremost International would not consider the contract under any circumstances. Mr. Baum did state that if Exim Bank were to allow a dual contract, that there might be a possibility of the Drug Division of Foremost taking on the supply portion only. However, as Mr. Baum is now in the Drug Division, my personal feeling is that he would not push for its acceptance.

Several telephone meetings with Mr. Rockwell reported on his visit to Exim Bank and his subsequent meetings with Mr. Denaut and Mr. Giles.

Mr. Rockwell presented to Exim Bank his reasoning for recommending the dual contract and found that many of his valid reasons had not previously been presented to Exim Bank. He also suggested a much larger contracting firm than Femco, if that would have any influence on the Bank's decision. Exim Bank promised to review the dual contract in light of his recommendations but made no commitment one way or the other as to what the outcome might be.

Mr. Rockwell feels that he will have a reply from Exim next week but feels that they will probably not change their mind.

Mr. Rockwell advised that in a meeting with Mr. Denaut and Mr. Giles he outlined the results of his meeting at Exim Bank and was again informed that Foremost International was no longer interested in the contract but Mr. Denaut authorized Mr. Rockwell and the rest of the Foremost people to put every effort into trying to assist SNUH in obtaining another supplier as he felt a moral obligation to try to work out a solution to the current problems which they may have caused.

On October 3, 1974 I met with Mr. Denaut in his office and Mr. Giles and Mr. Rockwell were also present. I gave as my reason for requesting the meeting the fact that I had promised the people in Korea to talk to him and even though all the information had been passed to him as a result of my earlier meeting with Mr. Baum and Mr. Giles, I felt that I should give him the facts as I saw them and not have them delivered through other people, which I did.

Mr. Denaut then asked what he could do to assist and I told him that the best thing would be to sign a single contract for the Phase I Project. However, as that was no longer possible, I asked if there was not some way in which we could put together a complete package for SNUH and have Foremost's name appear on the contract in some manner. Surprisingly, he was agreeable; subject, of course, to approval by the legal department and if it could be worked out to the satisfaction of both SNUH and Foremost. This should by no means be construed as a commitment on the part of Mr. Denaut or from Foremost but certainly indicates their willingness to get the project on its way for SNUH.

Mr. Rockwell now has two tasks assigned him by Mr. Denaut. First, he is to make up a complete review of the entire project to be circulated through the various offices of Foremost McKesson so that FM can define definitely why they have turned the contract down and possibly so that someone in authority might see it as a good contract which they should accept. (The chances of the later are very slim at this point.)

Secondly, he is to investigate the possibility of locating another firm who would be willing to take on the single contract as the prime contractor in place of Foremost International. If and when such a firm is found, then discussions will be held as to the possibility of including Foremost's name in the contract as long as they have no actual responsibility for it.

After my meeting in Mr. Denaut's office Mr. Rockwell and I proceeded to another meeting held in the office of Mr. Rex Allen. Present at that meeting were Mr. Rockwell, Mr. Allen, Mr. Kodani (of Rex Allen's office) and the President and the Vice-president of American Health Facilities International, which as I understand is a division of American Hospital Supply, a billion dollar corporation.

American Health Facilities International was given the complete picture with regards to the SNUH Project and expressed extreme interest in being chosen to replace Foremost as the prime contractor. They are going to review the Phase I report and other information given them and let Mr. Rockwell know their answer. They would only be interested if Apex were to continue as the sub-supplier for the electrical, mechanical and architectural materials and if Femco would be the sub-installation and maintenance contractor, all of which I assured them was possible. It may be necessary for us to set up a meeting with these people while George is in the States so that he can discuss the involvement of Femco in this project.

It is our hope that such a plan would be acceptable to SNUH. If AHFI or some similar firm is interested and we are able to somehow include Foremost's name in the contract, I feel that this would be the answer to the current problem and would "save face" for all involved. If we are not able to get Foremost's name included, I still feel that such a package could be acceptable in that we would be presenting a "better deal" for

SNUH and might be able to sell EPB etc., on the idea that the change is being made to improve the package and the whole project would thus benefit from such a change.

I will, of course, continue to work on all aspects of this project, not only as a possible source of business for our company, but more importantly to see its satisfactory completion for our many friends in Korea.

By _____
D. F. Morse, President

DFM:mt

117. APEX International, Inc. memorandum for the record by Donald Morse,
dated October 11, 1974

MEMO FOR THE RECORD - PHASE I

October 11, 1974

Telephone conversation with Mr. Burton Rockwell, Oct. 9, 1974

Mr. Rockwell met with Mr. De la Oosa and Mr. Patterson of Foremost on Oct. 8th. They discussed the legal aspects of using the Foremost name in conjunction with someone else as the prime contractor and it was felt that it might be possible as part of a joint venture name where Foremost would have little or no actual responsibility for the contract. Mr. De la Oosa met twice with Minister Yang and while both he and Mr. Patterson feel it is a good contract it is doubtful that Foremost will change its mind. However, Mr. De la Oosa promised to give Minister Yang a definite reply one way or the other by October 11, 1974.

Mr. Rockwell is to leave on October 9th for Phoenix, Arizona to meet with a hospital supply firm who might be interested in acting as a sub-supply contractor for the medical equipment if the previous discussions with American Health Facilities do not work out. It being his intention that these people in Phoenix would be a sub-supply contractor for the medical equipment and that Apex would be the sub-supply contractor for the electrical, mechanical and architectural equipment. (The firm in Phoenix would have been Foremost's sub in conjunction with Gentec if Foremost had taken the contract.) Both subs to be under some prime contractor who would be large enough to be acceptable to both Exim Bank and SNUH and would most likely do the installation work.

BRIEF TELEPHONE CONVERSATION WITH MR. BURTON ROCKWELL, OCT. 11, 1974

The results of Mr. Rockwell's trip to Phoenix were about as mentioned above. The people in Phoenix are interested but would only be able to act as a sub for the medical equipment. They have done at least 4 hospitals for U.S. AID in Laos, complete from design of the medical facilities to hospital management for same.

Mr. Rockwell has also received advise from Amercian Health Facilities that they are definitely interested. Their President and his boss, President of American Hospital Facilities it~~s~~ parent company (both are subsiduaries of American Hospital Supply Co.) are coming to San Francisco to meet with the people at Foremost on Wednesday the 16th of October. Both Mr. Rockwell and myself will also be present. The people from American Hospital Supply have stated that they are coming to S.F. for the express purpose of trying to work out an arrangement for handling the contract.

It will be necessary that we work out a proper presentation for the people from American Hospital and Mr. Rockwell and I will probably meet prior to the Wednesday meeting to work this out.

It will be necessary for us to sell the Apex and Femco sub contract portions of the contract to American Hospital to their complete satisfaction so I hope that Femco is still wanting to accept a sub contract for the installation work in Korea. If not let me know prior to Weds. morning my time.

By _____
D. F. Morse

118. Foremost International intracompany correspondence from Burton Rockwell to N. J. Denaut, dated October 24, 1974



Foremost International

a Foremost-McKesson company

INTRA-COMPANY CORRESPONDENCE

TO Mr. N. J. Denaut

DATE October 24, 1974

FROM Burton Rockwell

RE: Seoul National University
Hospital

In exploring the interest of other corporations in assuming contract negotiations for Phase II of the Seoul National University Hospital Project from which Foremost has withdrawn, I have found considerable interest. American Hospital Supply Corporation with its fully owned subsidiaries, American Health Facilities Inc. and American Health Facilities International, is the largest firm in the United States in the health care field and is an obvious choice. They have expressed keen interest in the project and it appears to me that there is a good prospect for Foremost-McKesson to arrange for them to take over the project. Although they are not the only possibility, I believe it wise to concentrate on one possibility and, therefore, I have encouraged AHFI more actively than any other candidate. If they at any point decline or are found unsatisfactory, I shall immediately concentrate on the best qualified among other interested firms.

I have been in almost daily contact by telephone with Mr. Ken Wright, President of American Health Facilities International, and with Donald Morse, President of Apex. Mr. Morse has had daily telephone conversations with Mr. Choi and Mr. Lim of FEMCO in Korea. I have acted as liaison with Mr. Wright and have kept Mr. Giles and Mr. Patterson informed.

Mr. Giles, Mr. Patterson and I on October 17 met with Mr. Wright, Phillip Heeter, President of American Health Facilities, Inc. and with Mr. Richard Roberg, their liaison with EXIMBANK. Wright & Roberg have had conversations about the project with Dudley Crawford and Duke Shepard at EXIMBANK! The project remains feasible and attractive to them.

Mr. Choi in trying to get assent for a transfer of negotiations from Foremost to AHFI requested letters from Foremost and from AHFI detailing the proposed transfer. I felt that letters were inadvisable and would take too long and that the less personal and more abbreviated message of cables would serve as well.

Drawing on the language of Mr. Baum's cable to Director Kim on September 19 which indicates Foremost's withdrawal from negotiations for Phase II, I sent a cable to Mr. Choi after reviewing the wording with Len Patterson. I also outlined a complementary cable for Mr. Wright to send expressing AHFI's interest and requesting consideration. Both cables were sent on October 21.

Supported by these cables, Mr. Choi discussed the transfer of negotiations with the EPB and the University. Both are receptive to negotiations with AHFI as a successor to Foremost.

There remains one difficulty which we should be prepared to surmount: The specific mention of Foremost-McKesson in the ROK legislation permitting the contract for Phase II to be negotiated instead of competitively bid. The importance of this factor may diminish but we should be prepared with a position Foremost-McKesson would be willing to take in allowing the use of the Foremost name in connection with the project. If this difficulty is surmounted, I believe that AFHI can take over the Phase II contract.

I have discussed various possibilities with Mr. Giles and Mr. Patterson for the use of the Foremost name with minimal or no risk. I suggest three possibilities:

1. Foremost presence at the contract signing.

Foremost representatives would play a prominent role in presenting to the EPB the contract to be signed with AHFI; suitably prepared press releases would emphasize that Foremost in completing its contract for Phase I had prepared the way for the present contract signing (by others). Even touches such as having the contract signing with pens bearing the Foremost logo might help. Care should be exercised, of course, to see that there is no real responsibility in any of this public relations activity.

2. Formal Documents.

Carefully written preambles to the AFHI contract would make much mention of Foremost-McKesson stressing the continuity of the project and Foremost's cooperation with AFHI. Supporting documents would record that Foremost was making available through AFHI all the background work for Phase I including the significant computer program; other documents would attest to the continuing service of the Foremost Phase I professional consultants under the Phase II contract. All of this supporting data, contract, preambles, etc. would, of course, be so written as to avoid any risk.

3. A Foremost Contract.

If the above actions do not suffice and it becomes desirable in order to achieve Foremost's objectives to have a contract of some sort signed by Foremost, I believe a contract can be devised for some nominal service without appreciable risk. Foremost-McKesson could contract for services in interpreting the Phase I report or in making Foremost staff available for consultation. A contract price for such services could be set at any reasonable figure but low enough to reinforce the nominal character of the services.

I believe that in all of these matters Foremost-McKesson should look to AHFI, if they become the Phase II contractor, for reimbursement of expenses during the interim period (chiefly, fees paid to me) and for the computer program.

I continue in contact with AHFI and with FEMCO/Apex and through them Mr. Choi. The next step, all agree, should be a meeting of all concerned. I hope that you will be able to participate in such a meeting. Because Mr. Wright will be out of the country from October 29 to November 9, I am hoping to set up a meeting the week of November 11. This would include Mr. Choi and Mr. Lim and perhaps others from Korea, Mr. Wright, Mr. Roberg, their legal counsel from AFHI, Mr. Morse from Apex and Mr. Catabayan of FEMCO's Manila office with Foremost-McKesson representatives. The latter would, I hope, include you, Mr. Giles, Mr. Patterson and, if available, Mr. Baum

In addition to this meeting, Mr. Choi urgently requested a meeting at Foremost on Monday, October 28. He knows that we cannot have all concerned available at that time, but he feels that it is important to meet with Mr. Wright and Foremost representatives as soon as possible. Mr. Wright is, therefore, planning to take the earliest flight to San Francisco from Chicago on the 28th.

I understand that your schedule will preclude your attending a meeting on Monday the 28th. If you wish to meet with me, please let me know.


Burton Rockwell

BR: dp

cc: W. R. Giles
R. H. Baum
L. Patterson

119. American Health Facilities memorandum from Philip Heeter to John Crotty, dated October 25, 1974

AMERICAN HEALTH FACILITIES, INC.

TO: JOHN CROTTY - AHS/XO

DATE: October 25, 1974

cc: Ken Wright - AHF/GO

FROM: PHIL HEETER - AHF/GO

SUBJ: Seoul National University
Hospital Project

Dear John:

AHF received a call from Rex Whitaker Allen of the Rex Allen architectural partnership in San Francisco asking if AHF had any interest in pursuing the Seoul National University Hospital Project. He informed Ken Wright that he had been working with Foremost-McKesson pursuing the project for some two years and that Foremost had made a recent decision not to pursue international turnkey equipping projects.

A meeting was arranged with Foremost-McKesson for Wednesday, October 16th to learn more about the project. The meeting was attended by Wesley Giles, a Vice President of Foremost-McKesson International, Len Patterson, a Foremost-McKesson Corporate attorney, and Burton Rockwell, a consultant on retainer by Foremost, working on the project.

Ken Wright and I were presented with the attached write-up by Foremost-McKesson as a vehicle for briefing us on the status of the project. They made it clear that the reason Foremost-McKesson had informed the Government of Korea that they were not interested in signing a contract was because of a change in management of Foremost-McKesson International. Ernest De La Ossa who was the former President of Foremost-McKesson International had been brought up to a new position called Corporate V.P. Government Affairs. The new President of Foremost-McKesson International, Neil Denaut, that made the business decision that Foremost-McKesson International was in the dairy business, the food business, and the pharmaceutical business, said that he did not see a "one each" international equipping contract as a part of their international business charter.

Both Giles and Patterson who had been working on the project were unhappy with the decision, but had been directed to find a "reputable" firm that could continue negotiations with the Korean Government and complete the project.

Details of the project are as follows:

1. Estimated volume of the contract is 30 million U.S. dollars. An estimated \$27 million of the \$30 million package are medical and building equipment sales with some \$3 million reserved for fees and installation.
2. AHF has confirmed that Exim financing is available on the project and that Exim's project officer, Duke Sheppard, has indicated pleasure at the thought that a company like American Hospital Supply could pick up negotiations with the Korean Government on the project.

TO: John Crotty - AHS/XO

DATE: October 25, 1974
FROM: Phil Heeter - AHF/GO

PAGE: Two

3. Foremost was anticipating a 20% front-end cash payment or a favorable cash flow of \$6 million at the outset of the project.
4. Foremost was anticipating a pre-tax profit of \$2,632,000 after reserves and contingencies on the project.
5. The first phase of the contract was a fee for a study to detail the equipment and systems needed for the hospital and to evaluate its design. This has been completed and submitted to the Korean Government by Foremost-McKesson.
6. A Korean company called Femco was working with Foremost-McKesson to do the installation work on the contract.
7. The Seoul National University Hospital is a new 1,000-bed teaching hospital in Seoul, Korea. The building shell is essentially complete and it is ready for elevators, boilers, and medical equipment. President Park has indicated that he wants this hospital to be a "show place" of the Far East.

AHF's evaluation is that McKesson is sincerely interested in placing this project with a reputable firm for follow-through and successful completion with the Korean Government. Foremost has two major businesses in place in Korea, a dairy business and a service business, and they are fearful that the fact that they back away from the Seoul National University Hospital project could have negative affects on their two existing businesses.

Ken Wright is planning to pursue this project by meeting with the officials of the Femco Company and being introduced to the appropriate Korean Government officials by Foremost-McKesson unless there are any objections from AHSC.

We will pursue the contract simply on the basis that we are being introduced at the appropriate Government level to pursue a new AHF contract opportunity. AHF is going to assume no obligations for any negotiations or discussions in the past and will make it plain to all parties that we are starting fresh as of the date that we enter negotiations.

AHF is committed to reprice all of the equipment items ourselves and mark up the contract based on our pricing formulas and present a total AHF package to the Korean Government for negotiation.

There is also an allocation of 2 million U.S. dollars for six months opening inventory of supplies. This could give the Corporation a strong start in its new office opening in Seoul on supply business. Frank Nakamoto says this is the number one hospital in Korea and has a lot of influence in the area.

TO: John Crotty - AHS/XO

DATE: October 25, 1974
FROM: Phil Heeter - AHF/GO

PAGE: Three

The only function that Foremost-McKesson will have will simply be that of introducing us to the Korean Government officials with whom they have been negotiating.

Ken Wright is planning to meet with Femco and the Korean officials within the next week to ten days so it's important that he be told if the course we are pursuing needs modification or adjustment.

Sincerely,



Philip C. Heeter

PCH/cg

Attachments

120. American Health Facilities International memorandum from John Hough
to Kenneth Wright, dated November 11, 1974MEMORANDUM

TO: Kenneth C. Wright November 11, 1974
FROM: John W. Hough File 28.135-7-2
RE: American Heath Facilities International,
Inc. (AHFI) - Seoul National University
Hospital - Washington Meetings of
November 11, 1974
**

I completed my review this morning of the Foremost International proposed form of contract with the Seoul National University Hospital, and suffice it to say that it is not in a form acceptable to AHFI, for, among others, the following reasons:

1. A penalty clause of up to 5% of the U.S. financed amount for delays.
2. Unprecise guaranties and warranties.
3. Uncertainties as to the the securing of payments in local Korean currency.
4. The requirement that the U.S. supplier finance 10% of the U.S. costs through a promissory note issued by the purchaser. * * *
5. Uncertain duties as to completion of the mechanical and electrical installations.
6. Inprecise designation of installation duties.
7. Just a generally disorganized and disjointed contract.

Several notes to the meetings held with Burton Rockwell, a consulting architect apparently retained by Foremost-McKesson and put in charge of this project, as well as Mr. Ki Rim Choi, President of San Rim Trading & Industries Co., Ltd., apparently the unofficial spokesman for the Korean government, which are as follows:

1. SNUH may look to Foremost to respond for the increased cost of the equipping and completion of the construction project, even though no contract regarding the equipping and completion of construction had been signed by Foremost. Apparently they are going to attempt to use some leverage based upon the present operating companies in the pharmaceutical and dairy business of Foremost in Korea.
2. Foremost looks to AHFI to bail it out of its apparent exposure, and, according to a confidential memo from Burton Rockwell to Mr. Denaut, President of the Foremost International Company,

"I believe that in all of these matters, Foremost-McKesson should look to AHFI, if they become the Phase II contractor, for reimbursement of expenses during the interim period (chiefly, fees paid to me) and for the computer program."

3. The reason given by Foremost for pulling out of the contract negotiations is that the Koreans were insisting on a systems guaranty of principally apparently the mechanical and electrical systems, even though some of these systems were designed and already partially installed by others. In the analysis of Mr. Rockwell to Mr. Denaut, he stated that certain confident and financially solvent subcontractors were willing to give Foremost the appropriate systems guaranties. * * *
4. At a late evening session with Burton Rockwell, he lent me his entire file, confidentially, to peruse and return, and also emphasized that certain local contingencies of 10% of the contract price were provided for by FEMCO which was to be the installation subcontractor.

J. W. Rough

cc: Messrs. Crotty
 Heeter
 Wood
 Roberg
 Blomquist
 Keck
 Hull

121. Telex from American Health Facilities International to Kenneth Wright,
dated March 3, 1975

(13)

13/3/75
(13)

Telex
western union

VIA WUI.
AHFI WNKA

RRA

SAMDUK K28221

TLX TO 724473 UHFI WNKA, USA

MARCH 3, 1975 ••

ATT: MR. KENNETH C. WRIGHT

AMERICAN HEALTH FACILITIES

MAR 3 1975

INTERNATIONAL, INC.

TODAY HAD CONVERSATION WITH DOCTOR KIM AND WAS INFORMED OF HIS CONVERSATION WITH YOUR MR. NAKAMOTO REGARDING NAKAMOTO'S PROPOSAL STOP IF POSSIBLE I SUGGEST YOU BRING PRICE JUSTIFICATION DOCUMENTATION AND REVISED GENERAL TERMS AND CONDITIONS HERE FOR DISCUSSION AND NEGOTIATION STOP IF UNABLE TO COME I STRONGLY SUGGEST YOU REDUCE TOTAL PRICE BY FIVE HUNDRED THOUSAND DOLLARS OF WHICH REDUCTION FIFTY PERCENT SHALL BE FROM OUR PORTION AND FIFTY PERCENT FROM YOUR PORTION BY CABLE TO DR.KIM STOP YOUR CABLE MUST SAY YOU REDUCED TOTAL PRICE ONLY UPON RECEIPT OF MR. CHOI'S ADVICE IN ORDER TO PROTECT DR. KIM'S PORTION AND FOR PROJECT TO PROCEED SMOOTHLY END REGARD. CHOI

AHFI WNKA
0
SAMDUK K28221

FOR INTL TELEX DIAL 101
FOR CABLEGRAMS DIAL 6481

122. Memorandum to Annex J, dated March 7, 1975

MEMORANDUM TO ANNEX J

In conformance with Clause 1 of the Contract, the following ANNEX J, CONTRACT PRICE, is submitted by AIIFI to Purchaser for its acceptance.

ANNEX J is presented on a basically like format to the pricing set out by the Phase I Report (at page 98.)

In the event of any differences between ANNEX J and the Phase I Report, ANNEX J shall govern.

Prices set forth in ANNEX J summarize the prices set out in various Annexes. To the extent that any discrepancies might appear, the unit prices set forth in the respective Annexes shall control.

Purchaser acknowledges that it has reviewed and approved all the prices set forth in ANNEX J, and agrees to the integration of this MEMORANDUM TO ANNEX J into the Contract.

Dated in Seoul, Korea this 7TH day of MARCH, 1975.

Seoul National University Hospital

By Hoyuk Kim
its duly authorized officer

123. Letter from Donald Morse, APEX International Inc., to Kenneth Wright and Richard Roberg, American Health Facilities International, dated May 14, 1975

APEX
INTERNATIONAL INC.

P.O. BOX 4453 BURLINGAME CALIFORNIA 94010
TELEPHONE 415-692-6262 OR 230-1550
CABLE APEX BURLINGAME

May 14, 1975

Mr. Kenneth Wright
Mr. Richard Roeburg
American Health Facilities International
560 Green Day Road
Winnetka, Illinois 60093

Dear Dick and/or Ken:

A well known thorn in our side on past FEMCO contracts by the name of Richard Kim who owns a export company called KOPA Engineering Corp. 465 California St., San Francisco has evidently obtained recent information on the SNUH project and is contacting a number of the suppliers attempting to get quotations. Ollie Lim advises that Richard Kim is knowledgeable of many details of the project and that he is also causing some problems in Seoul. Ollie has written me some information which he obtained from Mr. Chai but states it is so bad he cannot tell me over the telephone.

Could you as prime supply contractor of record on the SNUH project write a letter to KOPA Engineering advising them that you are the prime (you do have a signed contract) and that you already have your own sources of supply and that he is therefore wasting his and the manufacturers time.

If you don't want to write such a letter can you at this time authorize my advising the suppliers that we (AHFI & APEX) have a firm contract so that they won't quote Dick Kim.

All he is going to do is muddy up the water again by coming into the hospital with lower prices which won't include the services that AHFI is including, or the famous "J" factor etc.

Please contact me on this ASAP. Thanks.

Regards,

APEX INTERNATIONAL, INC.

D. F. Morse
President

DFM:gr

124. American Health Facilities International memorandum from Dick Roberg
and Kenneth Wright to Ron Scharf, dated September 16, 1975



American Health Facilities International

TO: RON SCHARF

FROM: DICK ROBERG/KEN WRIGHT
DATE: SEPTEMBER 16, 1975
LTR OF:
SUBJECT: SANG RIM TRADING COMPANY

Deleted

Apparently, in discussions which you have had with various people at X0 a question has been raised as to what the "J" factor really is. ~

Deleted

I the phrase "the famous 'J'" factor," it is simply Mr. Morse's reference to the pricing factor which we had included in Annex J to the Contract with the Korean Government. A copy of Annex J titled "Summary of Estimated Costs," is attached for your reference. The factor utilized, of course, is not the sort of thing that we would publish in print for fear of its falling into the wrong hands, and Mr. Morse was intelligent enough to make the shorthand reference contained in his May 14, 1975 letter. The factor referred to is 1.43, and, admittedly, in the context of Mr. Morse's comments, would certainly provide Mr. Kim of KOPA Engineering Corporation an excellent opportunity to undercut our pricing.

I think that some of the confusion that might have been created by reference to the "J" factor is the fact that the President of Sang Rim is a Mr. Choi (pronounced Chay). Thus someone hearing the expression spoken rather than written might believe that there was an additional factor, i.e., commission for a Mr. Choi which was being questioned in the May 14, 1975 letter.

It is our recollection from discussions with third parties, including Mr. Burt Rockwell, Mr. Morse, Mr. Catabayan, Mr. Krause, and Mr. Lim, that the possibility exists of an additional amount's being paid by Apex to Mr. Choi. Our recollections are that at no time was an amount in excess of 5% ever mentioned to us, and it is our belief that the total commission payable to Sang Rim from both AHFI and Apex combined will not exceed 10%. Clearly, there is some speculation contained in the latter statement, in that none of the individuals to whom Ken or I spoke has any direct knowledge that a commission is even payable by Apex. If such a commission is due, however, no amount in excess of 5% has ever been mentioned.



American Health Facilities International

TO: RON SCHARF

FROM: DICK ROBERG/KEN WRIGHT

PAGE TWO

DATE:

LTR OF:

SUBJECT:

SEPTEMBER 16, 1975

SANG RIM TRADING CO.

In conclusion, there is nothing secretive about Mr. Morse's comment in his May 14 letter. In fact, all he was doing was referring to the Annex by its letter abbreviation.

Insofar as other potential fees or commissions being payable to Sang Rim from sources other than AHFI, we have no direct knowledge or evidence that such will occur. If you desire further information on this subject, Ken and I will be happy to discuss it with you.

RMR:gjl

125. American Health Facilities International memorandum from Ron Scharf to Bob Divall and Tom Shaver, dated September 17, 1975



American Health Facilities International

TO: BOB DIVALL
TOM SHAVER

FROM: RON SCHARF *REF*

DATE: September 17, 1975

CC: TOM MITCHELL
BOB PRICE

LTR. OF:

SUBJECT: KOREA PROJECT

Gentlemen:

Attached is a memorandum from Ken Wright and Dick Roberg as further explanation of the "J" factor which we have discussed.

RES:dk
attachment

126. American Health Facilities International memorandum from Dick Roberg
to Ron Scharf, dated November 6, 1975*Kret*

American Health Facilities International

TO: RON SCHARF
CC: KEN WRIGHTFROM: DICK ROBERG
DATE: NOVEMBER 6, 1975
LTR OF:
SUBJECT: SNUH/CHOI

I spoke with Mr. Choi last evening. He felt things would be resolved by Monday our time. He is hopeful that matters will be resolved in our favor. He mentioned that "there are still other ways to settle this, as I have done on other matters."

I specifically asked him about the financing, and he said that there were no problems there. What are the problems? Just what Yang said they were: local content and price.

I pointed out that we went to a great deal of work (which we did) in getting the banks to write in, so specifically, our role as sole equipment supplier. He said that this was most helpful, but apparently not totally convincing.

I asked if we could do anything, and his response was wait 'till Monday, and we'll see.

Dick

RMR:gjl

**127. Letter from Donald Morse, APEX International Inc., to Richard Roberg,
American Health Facilities International, dated January 14, 1976**

APEX INTERNATIONAL INC.

P.O. BOX 4453 — BURLINGAME, CALIFORNIA 94010

January 14, 1976

840 HINCKLEY RD. SUITE 142
TELEPHONE: (415) 692-6262 OR 239-1550
CABLE: APEX TELEX: 33-1339

Mr. Richard Roberg
American Health Facilities International
560 Green Bay Road
Winnetka, Illinois 60093

Re: SNUH, Seoul, Korea

Dear Dick,

As discussed briefly today there are a number of areas where we need clarification, discussion and finalization in order to accomplish the orderly supply of the M.E.A. items for the SNUH project. Most of them have been briefly discussed with you or Ken from time to time but now is the time when we need to definitely define our role. As advised I'll probably be accompanying Mr. Choi to Winnetka next week and would hope to be able to meet with you and Ralph Snyder both together and separately after Mr. Choi completes his work. This will most likely be on January 20th and 21st if necessary.

Basically we need to have a contract or purchase order from AHFI for all of the items which we are to supply. This does not have to be a long formal contract but must spell out all of the terms and agreements involved.

Some of the things to be discussed for possible inclusion therein are:

1. All items to be physically supplied by Apex.
2. All items to be sold by Apex to AHFI but physically purchased or priced by AHFI. (Reference items in A20000 and C60000 categories) *priced at 3/31 cost FEA New York*
3. Basis of pricing to AHFI, considering total commitment to Mr. Choi.
4. 20% downpayment to Apex.

Other areas which need to be covered but are not necessarily to be part of the contract or purchase order.

1. Method of Invoicing from Apex to AHFI.
2. AHFI Payment of Apex invoices and/or Drafts:
 - a. Time of Payment
 - b. Method of Payment
3. Submittal requirements:
 - a. To consultants
 - b. To AHFI
 - c. Who has final approval for release to manufacture.

4. Assistance from AHFI in financing our purchase orders in the form of a payment guarantee to our bank.
5. Scheduling of shipments:
 - a. Time of release
 - b. Port of destination (staging area etc.)
 - c. Shipping marks, etc.
 - d. Notification required before and after release.

We understand that because of your present in house capabilities you most likely will not be using the facilities of an outside U.S. installation supervision contractor. Should this be the case we would like to remind you of the capabilities and expertise of our sister company, Fischer Engineering & Maintenance Co., in Seoul. As you know they have operated in Korea for over ten years as construction and base maintenance contractors to the U.S. military. As such they have abilities which undoubtedly could be very useful to you in many ways. We are not proposing that you use them as installation contractors but to informally call upon them for assistance in hiring local and third national personnel, setting up offices, supplying transportation, customs clearing and a multitude of other things that could become very difficult for people that are in a strange country using a different language, for the first time.

I hope that I have covered the major areas for discussion in the above. If any other major item comes to mind prior to my visit to Winnetka I'll contact you. Likewise, if you think of anything else that I should be considering please contact me.

With best regards, I remain,

Yours very truly,

APEX INTERNATIONAL INC.

D. F. Morse
President

DFM:gr
cc: Apex Seoul

**128. APEX International Inc. interoffice correspondence from Donald Morse
to Oliver Lim, dated January 26, 1976**

INTER-OFFICE CORRESPONDENCE

To:	Mr. O. A. Lim	Date:	January 26, 1976
From:	D. F. Morse	Ref.:	AB-13
Subject:	Your AK-44 & My Memo 1/23/76		

The letter to AHFI, copy of which I sent you on 1/23 with a covering memo was written on the airplane on my way back from Chicago and in re-reading them today I can see where you may be confused on them somewhat.

To begin with Charlie expected a full 10% of the 7 million downpayment or \$700,000.00. Because of AHFI's proposed 5% agreement only, he got from them \$350,000.00. AHFI told him the balance had to come from Apex. For us to do this and still handle our financing properly I got a tentative O.K. from AHFI's controller to raise the down payment amount to .222%.

*Never
committed*
Provided the final contract amount is as shown in my letter to AHFI, namely, \$6,441,793.00 and we get .222% down we should get \$1,430,078.00.

This to be distributed as follows:

KRC Down Payment	\$1,430,078.00
	<u>350,000.00</u>
Less approx. Factory Down Payment	\$1,080,078.00
	<u>400,000.00</u>
Less deposit to Bank for Credit Line	\$680,078.00
Operating Balance	<u>600,000.00</u>
	\$ 80,078.00

Again the above figures are proposed only and until we get to actual negotiations with AHFI, here this week I hope, I cannot be sure of them.

Basically they agree with your figures, however I'm not sure we can spread the \$600,000.00 over a time program as you have outlined, for several reasons. First the down payments to factories are for only 4 or 5 of the factories the biggest being Honeywell to whom we have to advance engineering cost etc. which amount to more than 20%. Thus most factories will be paid completely upon shipment so we would have to have some of the \$600,000.00 to pay factories as well as the commission. Here is an example of my figuring on a item which would cost us \$10,000.00.

Profit & 10% Comm. (X 1.182%) - sell	\$11,820.00
Plus Additional Comm. (X 1.0784466%)	12,747.24 (Contract Sell)
Cost	\$10,000.00
AHFI Payment (-.222%)	9,917.35
Short .008265%	<u>82.65</u>
Comm. Due (10% of \$11,820.00)	\$1,182.00
" " (.0784466% of ")	<u>927.24</u>
Total	\$2,109.24
Less Advance .32E .1%	<u>692.59</u> 1,416.6

Total short payment \$1,499.30 = .117618% of \$12,747.24

Profit structure & commission is as follows:

Factory short & comm. payable	\$1,499.30 = .117618% of \$12,747.24
Commission Downpayment	692.59 = .054332% of "
Profit	<u>638.00</u> = .05005 % of "
.222% of \$12,747.24	\$2,829.89

Although profit shows at .05005% of the inflated contract price it was figured at 6% of our selling price before commission. That is:

	\$11,820.00
Less	<u>1,182.00</u>
Actual Sell	\$10,638.00
Less Cost	<u>10,000.00</u>
Profit 6% =	\$ 638.00

I hope all of the above is clear. If not I'll explain when I see you in Seoul.

Because Ken Wright was not in Winnetka to confirm his verbal arrangements with Mr. Choi no definite action could be taken so now, Mr. Choi, Ken Wright, Dick Roberg, Clay Page (AHFI President) myself and assorted attorneys will have to meet & negotiate the commission problem in Seoul on 2/11/76.

This is about all for now. I only hope AHFI will negotiate our contract prior to the trip to Seoul as Charlie wants his balance of payment by then.

Regards,

D. F. Morse

DFM:gr

129. Bank records of George Krause (in connection with APEX International Inc. material)

STATEMENT OF ACCOUNT

ITEMS IN ORDER OF DATE



THE BANK OF CALIFORNIA

NATIONAL ASSOCIATION

MARTINEZ OFFICE

ACCT. NO. 006231962

ACCT. NO. 006231962



GEORGE F KRAUSE
MASAKO K KRAUSE
C/O FEMCO
APC 96301 SAN FRANCISCO
AIR MAIL

PLEASE EXAMINE
AT ONCE (OVER)

S	BALANCE	BALANCE FORWARDED AS OF AUG 20, 1976				\$	266.67	
		CHECKS	CODE	CHECKS	CODE	DEPOSITS	CODE DATE	BALANCE
1		2880		5000			824	
2		6155					824	126 .32
3		2675					902	99 .67
4		5000					908	49 .67
5		2500					910	24 .67
6						100000-	914	
7						35000000-	914	351024 .67
8		5000					915	350974 .67
9		4260					916	350931 .67
10		5810		50050			921	350869 .67

DATE OF THIS STATEMENT	SHEET NO.	DEPOSITS TOTAL		TOTAL CHECKS & CHARGES		DATE OF THIS STATEMENT
		NO.	AMOUNT	NO.	AMOUNT	
SEP 21, 1976	1	2	351,000.00	9	396.80	SEP 21, 1976

DEPOSITS CASH CERTIFIED CHECKS CHECKS REVERSED MONEY ORDERS PAYROLL CREDIT
 WITHDRAWALS CASH CERTIFIED CHECKS CHECKS REVERSED MONEY ORDERS PAYROLL CREDIT
 ITEM CODES CASH CERTIFIED CHECKS CHECKS REVERSED MONEY ORDERS PAYROLL CREDIT
 CREDIT CREDIT REVERSED MONEY ORDERS PAYROLL CREDIT
 SERVICE CHARGE SERVICE CHARGE SERVICE CHARGE SERVICE CHARGE

STATEMENT OF ACCOUNT



THE BANK OF CALIFORNIA
NATIONAL ASSOCIATION

MA THOMAS, ASSOCIATION

YANNICK OFFICIER

- 3 -

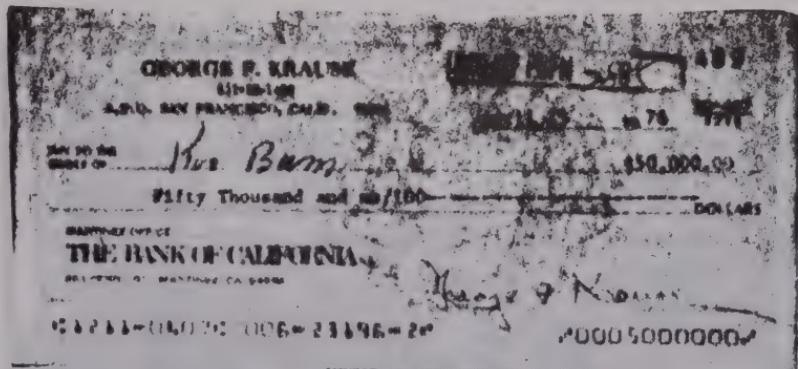
ACCT COUNT NUMBER

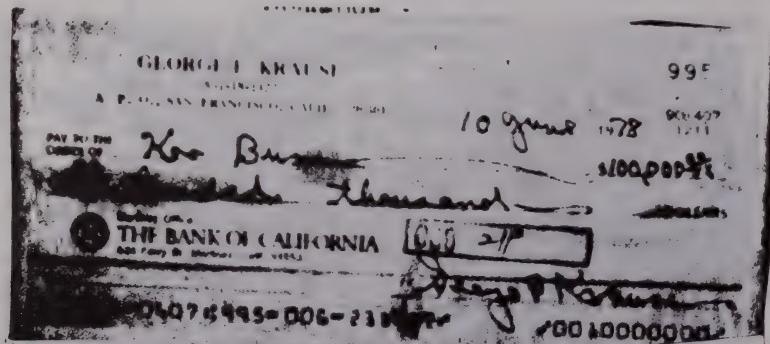
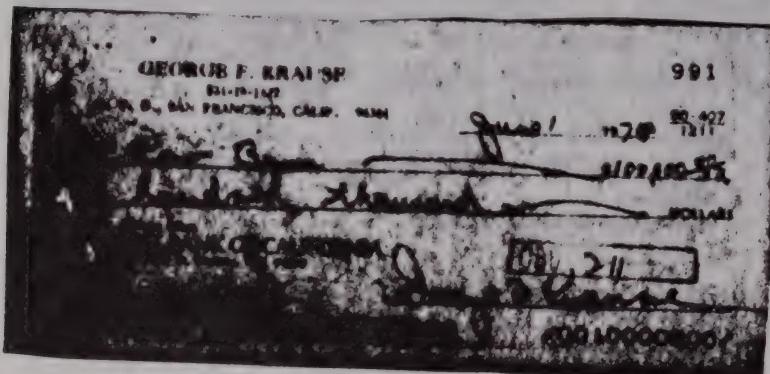
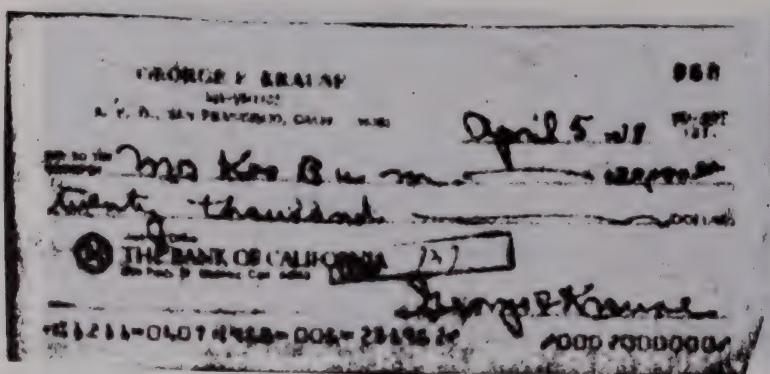
GEORGE F. KRASKE
MASANORI K. KRASKE
LTC FORGE
AFSC 1485C SAN FRANCISCO
AIR MAIL

**PLEASE EXAMINE
AT ONCE (OVER)**

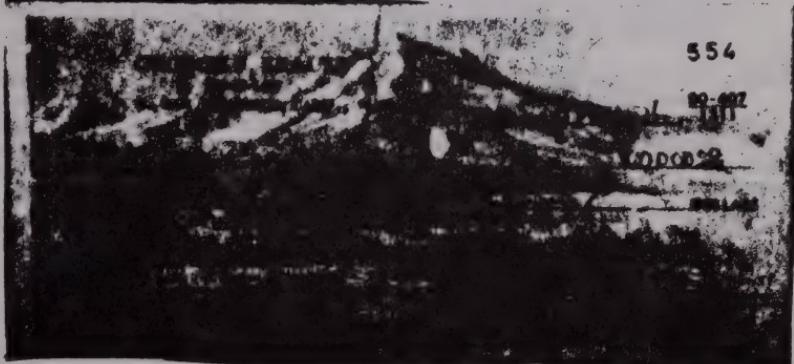
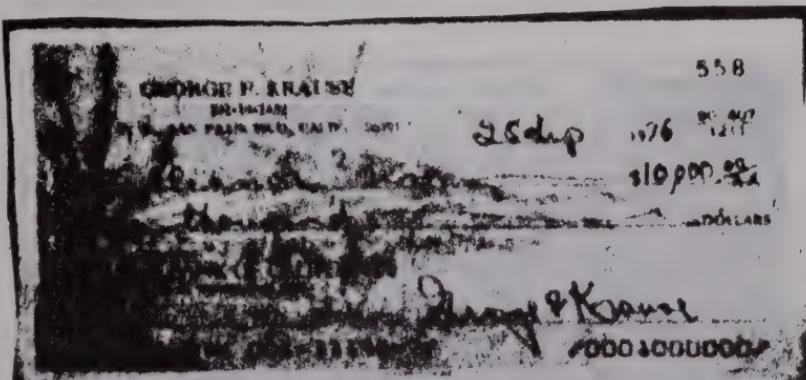
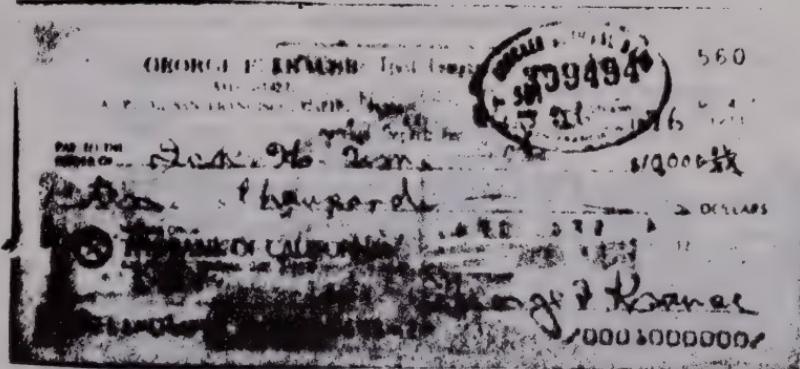
BALANCE FORWARDED AS OF SEP 21, 1976				BALANCE	CHQD
CHECKS	CODE	CHECKS	CODE	DEPOSITS	CODE DATE
5000		7000000			924 280819 07
5000					927 280769 07
5000		6000			928
10000		5500000			928 275057 07
10000000					929 268057 07
7000000		14500000			1001 243587 07
10000000		18000000			1004 53587 07
5000		5000			1005
10000000					1005 43487 07
10000000					1007 33457 07
5000					1011 33407 07
10000000					1012 23467 07
5000		10000000			1014 13357 07
2000000					1015 19357 07
40000					1018 19367 07
2000000					1019 17367 07
1000					1020 17224 02

Checks issued by George Krause in favor of Koo Bum

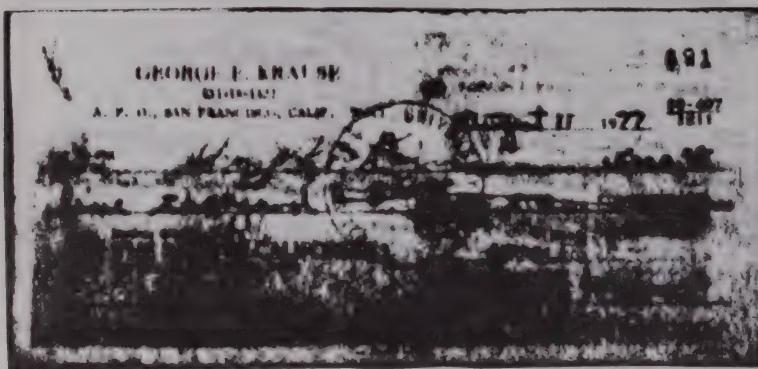


Checks in favor of Koo Bum (Cont'd.)

Checks in favor of Um Ick Ho & Eleanof Um



Checks in favor of Dr. Hong Ki Kim and an Unidentified Third-Party



130. APEX International Inc. interoffice correspondence from Donald Morse to Oliver Lim, dated May 21, 1976**INTER-OFFICE CORRESPONDENCE**

To: Mr. Oliver A. Lim
From: D. F. Morse
Subject: SNUH

Date: May 21, 1976
Ref.: AB-42

Per conversation with Ralph Snyder today he informs me that based upon their present attitude of completely ignoring any references to commissions but merely taking our prices as competitive and treating us like any other vendor they have decided that they are not going to give us a contract. Instead they will issue purchase orders based upon our quotations, the same as they are doing with any other vendor. In principal this is OK with me provided they will make the down payment as promised by Ken Wright. However, Tom Mitchell seems inclined not to uphold any of the commitments previously made if it doesn't suit him so at this point I don't know what is going to happen.

AHFI expects to meet with Exim and Minister Yang on Monday for submission of the final certifications to activate the L/C. Immediately after Ralph Snyder will be going to Korea to meet with E.P.B. To be followed by the consultants arrival in Seoul about June 1st. The Consultants and Ralph expect to be in Korea a week or 10 days before returning to USA.

In the meantime Ralph is going to send us a request for quotation on certain items which can be ordered now and which must be ordered before 6/30/76 to save expected price escalations. We in turn will immediately issue firm quotations against which they can place their firm P.O.'s. The problem being that there are only about \$990,000.00 worth of items in this category. If we can only get our down payment as P.O.'s are issued we will not be able to give KRC his downpayment in a lump sum.

I have figured that 27% of the down payment to us is KRC's share with the balance of 73% of his commission to be paid when shipments are made. Would it therefore be possible to arrange with him to give him his 27% of each down payment received until we reach the \$350,000.00 figure? On this basis, the first group of orders, if they total \$990,000.00 would give us \$198,000.00 of which we would pay 27% or \$53,460.00.

In my presentation to them I am going to request the entire down payment for the whole job and if I get it then the above paragraph does not apply but I'm afraid I may have a problem getting them to even agree to the 20% on each P.O. let alone on the whole project. However, I'm also going to insist on the L/C for the entire project at one time along with the downpayment if they want the performance bond. If they insist on the partial downpayments and partial L/Cs then we will try to get the bond requirement deleted. If this is possible the savings on the bond cost would make up for the loss of interest on the time deposits we were hoping have with the full downpayment money.

Whichever way we work it out it doesn't look as though anything can be consummated until Ralph returns to the U.S.A. about June 10th to 15th, thus leaving us in a hole again for another 30 days.

I assume that Cesar has given you the workup that I gave him on our financial situation for May, 76. This showed a urgent need for \$9,038.96. By making about a 1/2 payment to K&E only and holding back on my salary check I can squeek by with about \$6,800.00 until June 14th. It just so happens that I received today the Federal 1973 unemployment tax refund, plus interest, totaling \$6,464.69. (See copy attached). If Apex can borrow this by depositing it in the Femco San Bruno account and then drawing a check to Femco we might make it or at least come awfully close. Please give this serious consideration and if we haven't already discussed it by telephone send me a cable or telex authorization to proceed in accordance with my suggestion.

Best Regards,

D. F. Morse

DFM:gr

cc: CYC, Manila

Encl.

OF 61

**131. Letter from Donald Morse, APEX International Inc., to David Anderson,
American Hospital Supply Corp., dated August 5, 1976**

APEX INTERNATIONAL INC.
P.O. BOX 4453 — BURLINGAME, CALIFORNIA 94010

August 5, 1976

840 HINCKLEY RD. SUITE 142
TELEPHONE: (415) 692-6262 OR 239-1550
CABLE: APEX TELEX: 33-1339

SPECIAL DELIVERY

Mr. David Anderson, Esquire
American Hospital Supply Corp.
Legal Department
990 Grove
Evanston, Ill. 60201

Dear Dave,

It was good seeing you again yesterday and I hope that the results of our meeting were favorable for all concerned.

I apologize for my vague recollection of my conversation with Tom Shaeffer earlier this year. I've tried to refresh my memory on it ever since our meeting yesterday and am still hazy about it. I do confirm, however, that he did mention the new policy of AHS and that we agreed that we could most likely live with it.

As you requested I am enclosing herewith copies of three separate agreements with Mr. Choi which I have labeled numbers 1, 2 & 3.

Brief explanations for each are listed below by number.

No. 1 - This is our general appointment letter required for Mr. Choi's registration in Korea as our Sales Representative. This agreement, by Korean law, must be renewed every 2 years. Thus this appointment is a renewal, dated July 6, 1975, of our previous appointment letter.

No. 2 - This was our original agreement on the SNUH project and the percentage shown was based upon figures given us by Ken Wright as explained in Yesterday meeting. In otherwords, the 8-10% of the M.E.A. was to equal 5% of the overall AHFI FOB source total contract.

No. 3 - While we erred in not so stating, this agreement superceeded No. 2. It was written at the time when we expected that their would be no problem with the AHFI "Pass-through" of the "Second" 5% and the dollar amounts shown totaled the approximate dollar amount of the expected "Pass-through". The advance of \$350,000.00 against reimbursable expenses in effect was the second half of the 10% he expected to receive of the AHFI downpayment.

As advised yesterday we are going to rewrite all existing agreements, pertaining to the SNUH project, with Mr. Choi and as soon as a formal draft is available I'll forward you a copy for your reference. This should be completed prior to his departure from Seoul.

I hope that the above and enclosed information is what you require.

Yours very truly,

APEX INTERNATIONAL INC.



D. F. Morse
President

Encl.

DFM/gr

132. APEX International Inc. interoffice correspondence from Donald Morse to Oliver Lim and C. Y. Catibayan, dated September 16, 1976**INTER-OFFICE CORRESPONDENCE**

To: Mr. O. A. Lim/Mr. C. Y. Catibayan - ETAL Date: September 16, 1976
From: D. F. Morse Ref.: AB-61
Subject: SNUH Project

I am attaching a copy of a letter I have just written to Terry Dahl at AHFI as a result of our meetings and discussions with Terry, Ralph Snyder and Fred Crans of AHFI in our offices over the last several days. As Ollie knows from our telecon several days ago they were really beating on me to lower our profit and/or commission because the price escalations and errors made by Ken Wright were killing them. Actually overall price escalations are only about \$215,000.00 which we could not afford to absorb. They were also saying that our profit margin .1696% (which includes 10% of our selling price in commission) was too high for them to justify competitive purchasing to their auditors.

Therefore, in taking a close look at our figures I decided that it would keep them quiet, their auditors quiet and make everyone happy if we agreed to revert to the same pricing upon which they took the contract. This means that we are gambling that we can make up the \$215,000.00 in purchasing savings. I'm fairly confident that we can not only make up the \$215,000.00 but that we can most likely effect savings in the area of \$300,000 to \$320,000.00 or more.

Currently our projected profit is about \$301,000.00 plus 20% of any savings we can obtain for AHFI above the \$215,000.00 mentioned above. Overall we will come out a lot better but some of the individual sales are going to look funny.

AHFI suggested the corporate or bank guarantees which is fine with me as it should save us some \$15 to 20,000.00 in bank charges over the whole project.

They will get our contract issued next week and upon signing make the downpayment. If this goes according to their usual schedule it will probably take 2 weeks but at least we are very much closer now than we have ever been before.

I'll report further as things develop.

Regards,

D. F. Morse

DFM/gr

Encl.

133. APEX International Inc. interoffice correspondence from Donald Morse to Oliver Lim, dated September 30, 1976

INTER-OFFICE CORRESPONDENCE

To: Mr. O. A. Lim
 From: D. F. Morse
 Subject: Your AK-70 & Phase III in General

Date: September 30, 1976
 Ref.: AB-64

I talked to Ralph this morning on several subjects and read him your letter AK-70. He is thinking it over and may suggest that I send a copy to Terry Dahl. Terry and Fred Crans are planning on leaving for Korea on October 8th, unless they change their minds as they have been known to do.

My opinion and Ralph's is that someone is going to have to explain the "Facts of Life" to Terry as he doesn't really believe Ralph and even seems to question my comments on the situation in Korea. It is impossible to threaten ARPI with the results of what might happen if they don't keep the "people" happy and their usual reply is "show me" or "if that's the case we will just give up the contract now". Mr. C should be prepared to really explain the problems now existing and I think you or Cesar should sit Terry down and explain the entire picture from the beginning as to how they got the contract, whose really responsible for it and the reprocussions that could develop if it doesn't go smoothly. I think you know what I'm saying.

The trouble we are currently facing, and we are still facing it, is that corporate management, inside and outside corporate attorneys and corporate auditors are still trying to say that they don't need Apex, that they can buy as will direct from the manufacturers and save our added profit. They feel that our profit figure (including C's commission) is too high. They will not and do not take into consideration the commitment to C. Everyone from Tom Mitchell on up are taking the attitude that the 5% that they are paying him is more than enough. They have closed their eyes & minds to anything else and if they didn't they would have more trouble with the SEC investigators.

My opinion on Edwards is that he has a deal with someone, quite possibly Richard Kim, to give them some or all of the business for a kick back of some kind. If he is put in charge of the purchasing then he could easily by-pass Apex and buy from his "Partner" on the grounds of getting better prices. And they would probably be better prices because there would be no commission included.

Ralph also advised that he has been instructed to make direct contact with a portion of our suppliers to document whether or not they could buy at better prices. Because of escalations now in effect we are going to look real good in some cases and because of purchasing from better sources than when we originally quoted it could look like we are making for too much profit. If Ralph does it right we could look good overall; but, while he seems to be on our side, I can't really be sure so at this point don't know what is going to happen. Also Ralph advises that he has been instructed to pull certain items out which come from a subsidiary of AHS and buy them direct. While this was Ken's original plan when we were talking a 11 million contract they had later said that they would allow us to handle all the M.E.A.

items to boost up our share after the deletions. This means that they would be pulling about \$128,500.00 out of our contract and an estimated profit over and above our regular profit and commission of \$19,500.00. This \$19,500.00 would come out of our surplus and affect our overall loss figure prior to redesign, etc., by that amount. Therefore if they try to remove any other items I'm going to have to tell them to forget the deal about selling at the 3/31/75 prices.

As you can see from the above the whole project is still in a mess and I don't know when they will ever get a final decision to place orders. I hope that they arrive at a decision next week before Terry leaves. Otherwise it may have to await his return several weeks hence.

I have no choice but to take out another note at French Bank to carry me through October and to pay off some of the old NCRI creditors who are raising H----- about payments (about \$3,500.00 worth including Connell Bros old Femco Bill). I hope you don't object.

Best regards,

D. F. Morse

DFM/gr

P.S. I wish you were here now to talk to these AHFI people and see how difficult they are to deal with.

Don

134. APEX International Inc. interoffice correspondence from Donald Morse to Oliver Lim, dated October 5, 1976

Mr. O. A. Lim

October 5, 1976

D. F. Morse

AB-65

Your AK-71

My AB-64 explained some of the problems with AHFI, but it is impossible to put all of their problems and mind changes in a letter as it would take a week to write it.

My agreement to give them the old prices may not be accepted by them anyway as they might get smart and realize that they would be better off by taking the redesign savings themselves and just give us current prices.

They have even gone so far as to ask me what I would take to cancel the agreement that Ken Wright made with us. My answer was \$1,000,000.00. Obviously this was a shock to them but is really very realistic when you consider our commitment to C. Anyway I don't think they will seriously consider it unless they get wind of some definite additions to the contract. But if there are additions then we want in on them as well, so my figure would go up accordingly. It is very heartening to see them realize that the agreement is valid as I'm sure that they have had their attorneys checking on a way out and evidently there is none for them. Thank goodness.

To answer your question in AK-71 you are correct regarding any redesign savings being returned to SNUH. However, this refers to redesign resulting in changes in the systems or equipment. I am referring to redesign which doesn't effect the equipment being supplied or the job it will do. In the case of Honeywell they have had some equipment design up-dating such as changes to electronic type equipment which reduces our cost but doesn't effect the operation of the equipment.

The second question is more difficult, regarding the commission. I can only hope that we can negotiate this with him when the time comes. If some items are added to the contract to bring the selling price up to or over 7,000,000.00 then we will have no problem. If AHFI get away with a reduction then we will have to explain the facts and hope for a understanding and a negotiated amount less than the \$700,000.00. Will have to wait and see on this, I guess.

Best regards,

D. F. Morse

DFM/gr

135. Subcommittee excerpt of sworn statement of George F. Krause, dated
July 31, 1978

1 UNITED STATES

2 HOUSE OF REPRESENTATIVES

3 --o0o--

4)

5)

6) INVESTIGATION OF)

7 KOREAN-AMERICAN RELATIONS)

8 ()

9 _____)

10)

11 --o0o--

12 BE IT REMEMBERED that, pursuant to notice, and on
13 Monday, July 31, 1978, commencing at 9:40 o'clock a.m.
14 thereof, at 840 Hinckley Road, Burlingame, California before
15 me, CAROL A. FUSCO, a Notary Public in and for the County of
16 Contra Costa, personally appeared

17 GEORGE F. KRAUSE

18 _____

19 called as a witness by the UNITED STATES HOUSE OF
20 REPRESENTATIVES, who having been first duly sworn, was
21 examined and testified as follows:

22 -- o0o --

COMPUTER TRANSCRIPTION

SCHILLER & COMBS, INC.
COURT AND DEPOSITION REPORTERS
825 POLK, SUITE 305
SAN FRANCISCO, CALIFORNIA 94102
TEL: (415) 673-7747

KEY WORD INDEXED

1 Subcommittee of International Organizations, United
2 States House of Representatives, 3515 House Annex No. 2,
3 Washington, D.C. 20515, represented by STEVEN M. BLUSH and
4 EDWARD J. EAKER, Investigators.

5 ---oo---

6 EXAMINATION BY MR. BLUSH

7 MR. BLUSH: On the record. We will swear him
8 after an opening statement.

9 Q. Mr. Krause, have you had a chance to read the
10 mandate ~~from~~ the Subcommittee and the Rules which were
11 provided with the subpoenas ~~for the company~~ ^{APO and FECMCO}?

12 A. Mr. Sinclair sent me one from the bank. They
13 probably gave them to the bank.

14 MR. BLUSH: Would you swear the witness, please?
15 (Witness sworn)

16 MR. BLUSH:

17 Q. Mr. Krause, would you state your full name and
18 current address for the record?

19 A. George F. Krause, APO 96301, San Francisco,
20 California.

21 Q. Are you a U.S. citizen?

22 A. Yes.

23 Q. You are currently residing in the Republic of Korea;
24 is that correct?

25 A. Yes.

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KEY WORD INDEXED

1 Q. Could you provide for us a synopsis of your
2 employment history ~~for~~ the last ten years?

3 A. Well, the last ten years have been with FEMCO.
4 Fischer Engineering and Maintenance Company is the company
5 name. The abbreviation is FEMCO.

6 Q. What is your relationship to FEMCO?

7 A. I am vice-chairman now.

8 Q. Do you have a relationship to Apex? ^{as well}

9 A. I am one of the directors, yes.

10 C. Are there any other companies ^{in which} you have been
11 either a director ~~or~~ or employee ~~or~~ in the last ten years?

12 A. Well, we started the company ~~Intercon~~ is
13 that it ^{was} ~~but~~ never did go anyplace with it.

14 Q. Intercon?

15 A. Intercon, yeah.

16 C. When was that, approximately?

17 A. Oh, it was way back sometime around 1971 or '72, I
18 think, if I remember. It's very vague because it's a company
19 we never used.

20 Q. What was the purpose of setting up that company?

21 A. Well, ^{it} ~~the~~ was going to be a supply company and
22 also it was ^{to work on} RGH, Rental Guaranteed Housing. This is a
23 contract we have in Korea today. This was one of the
24 companies that we were setting up to borrow money to build
25 the RGH.

1 C. What about Apex, when was that first started?
2 A. Oh, around -- I can't remember.
3 Q. Approximately?
4 A. I was never too much interested.
5 C. Okay. You are a vice chairman of Apex; is that
6 correct?
7 A. Vice President, I think my last title was. I was a
8 I'm a
director for a long time and now Vice President.
9 Q. Could you describe the type of business that
10 Fischer Engineering and Maintenance Company is engaged in?
11 A. Well, ours is heavy construction, maintenance of
12 equipment and maintenance on government contracts.
13 C. In Korea?
14 A. In Korea.
15 C. Therefore, ~~FEMCO IS~~ a so-called U.S.-invited
16 contract^{is} ~~is~~ correct
17 A. This is true, ^a U.S.-invited contract^{or}. And also we
18 have contracts in the Philippines.
19 C. Could you explain to us what restrictions the
20 category of U.S.-invited contractors are under in Korea?
21 A. As invited contracts^{or}, in order to do business on
22 the commercial side, that is the Korean side, I would have to
23 get an approval from the United States Government and the
24 Korean Government.
25 This is because of the SOFA Agreement. This is under

1 the SOFA Agreement.

2 *Would*
3 Q. ~~ever~~ you explain what role you have played in the
operations of Apex?

4 A. Well, actually ~~the~~ Apex after Apex was formed, ~~was~~
5 being so busy on the FEMCO operation, I never did do too much
6 with Apex.

7 Q. Would you have a decision-making role with respect
8 to policy?

9 A. The paper would go across my desk if any changes
10 were made.

11 Q. Let me give you an example. If there was
12 correspondence between Apex, San Francisco, /Furlingame, and
13 *Apex*, Korea, would that correspondence reach your desk?

14 A. Some of it would; Most ^{would} not.

15 Q. ~~That~~ who would handle that ^{kind of} correspondence?
16 A. That would be Mr. Lim, Oliver Lim.

17 Q. Are you familiar with an individual named Choi Ki
18 Rim?

19 A. Is that Mr. Choi?

20 Q. Yes. *Actually I don't know what his full name is, his Korean name.*
21 I always say Mr. Choi and he calls me Mr.
22 Krause.

23 Q. When did you first meet Mr. Choi?

24 A. I met Mr. Choi maybe 1970, in that area someplace.

25 Q. Where was that?

1 A. In Seoul, Korea.

2 C. Can you describe for us the circumstances ~~when~~ surrounding
3 first meeting with your
first ~~met~~ Mr. Choi?

4 A. Well, Mr. Choi was a friend of Mr. Catibayan, Cesar
5 Catibayan.

6 C. Who is Mr. Catibayan?

7 A. He is the President of FEMCO, now. I was
8 introduced to Mr. Choi by Mr. Catibayan, ~~_____~~.

9 C. Was this a social occasion or business?

10 A. Social occasion in our office. They came in and he
11 was introduced to me.

12 C. Did Mr. Catibayan and Mr. Choi have a social or
13 business relationship at the time when you first met ~~him~~?

14 A. This, I don't know. I imagine they evidently ~~were~~ ^{had}
15 talking business.

16 C. What was Mr. Choi's business at that point in time?

17 A. I think he is President of Sang Rim ~~_____~~,
18 Trading Company.

19 Q. Between 1972 and -- excuse me -- let me repeat that --
20 Between 1970 and 1972, did a business relationship form between Mr.
21 Choi and FEMCO?

22 A. They ~~were~~ forming a business relation between FEMCO
23 and Sang Rim.

24 C. What was the nature of the relationship?

25 A. The nature was they ~~were~~ ^{were} working on this hospital,

1 ~~_____~~ with Foremost.

2 C. When you say "they," you mean --

3 A. Well, we. Maybe I ~~better~~ put it, "we."

4 C. You say you were working on this hospital. What
5 work was being undertaken in --

6 A. It was in the talking stage ~~at~~ that ~~time~~. If
7 Foremost should be able to get the supply contract on the
8 hospital, well, FEMCO would do the construction, or the
9 ~~installation~~
~~construction~~.

10 C. How did Foremost, if you know, come to have a
11 relationship with Mr. Choi?

12 A. This, I do not know.

13 Q. ~~When~~ when you say "Foremost," what
14 individuals did you meet from Foremost during that early
15 period?

16 A. Let's see. Mr. Whately I think was one. He was
17 the Operations Manager in Korea.

18 C. For Foremost?

19 A. ~~Yes~~
~~Yeah~~.

20 C. Did you meet a Mr. Baum, also during that period?

21 A. No, I never have met Mr. Baum.

22 C. Were Mr. Choi's contacts with Apex / FEMCO during
23 the early period with any one particular individual or did he
24 form a relationship with a number of Apex / FEMCO personnel?

25 A. Well, this would be after ~~the~~ FEMCO -- ~~the~~ after

1 Foremost decided they wouldn't take the contract.

2 C. After Foremost decided they would not take the
3 contract?

4 A. Yes.

5 C. Do you recall approximately when that was?
6 A. No, I ~~cannot~~.

7 C. You say Foremost decided not to take the contract.
8 When you say "contract," you mean?

9 A. ~~the~~ supply contract. I know they ~~were~~ going to
10 banks. There was money supposed to be put up, ~~but~~ they had to
11 get the loan, and so forth. ~~on this~~ I have always been in the
12 operation of FEMCO as the fieldman, the engineering fieldman,
13 rather than ~~in~~ the business ^{and} in the office.

14 Q. Who would have conducted the business in the office?

15 A. Mr. Catibayan, Mr. Lim.

16 C. I see.

17 A. This would be on FEMCO, and of course, Mr. Morse on
18 Apex.

19 Q. Was Apex set up in order to handle the first phase
20 of this contact with Foremost-McKesson?

21 A. I think this was one of the ideas ~~for~~ Apex. We also
22 had supplies on the RGH and other areas ~~that~~ we needed a
23 supplier in the States.

24 Q. What about Intercon? Was Intercon also originally
25 set up for that purpose?

1 A. No, Intercon was originally set up ~~co~~ to bring
2 ~~to~~ money in on the Rental Guaranteed Housing.

3 Q. ~~When~~ was Intercon incorporated?

4 A. I think the ⁱⁿ corporation with Intercon -- it's
5 either Nevada or Delaware, I forget because it never did
6 materialize.

7 C. But it was a U.S. corporation?

8 A. It was a U.S. corporation.

9 C. You met Mr. Choi in 1970, you said?

10 A. Around 1970, yes.

11 C. From the documents that we have had occasion to see
12 of FEMCO and Apex and Intercon, as well as other documents, it
13 would appear that the relationship formulated around the
14 first phase of the SNUH project in late 1972, ^{at} that time frame.

15 Between 1970 and 1972 are you aware of any payments
16 or transfers of funds by Choi, Ki Rim, Mr. Choi, or Sang Rim
17 Trading Company, to any Korean or American government
18 official?

19 A. No, I'm not.

20 C. Did Mr. Choi ever mention having to make payments
21 to any government officials?

22 A. Not to me, no.

23 C. Did you have a ~~business relationship with~~
24 personal business relationship with Mr. Choi in that time
25 frame?

1 A. Not a personal one, no. I have never associated
2 myself with Mr. Choi other than when he would come in^{to} the
3 office wanting something, like several times he exchanged
4 checks with me, he would give me one of his checks for one of
5 my checks. Why, I don't know. I never could find out why.

6 C. How would that work?

7 A. He would give me the same amount -- he would give
8 me a check in the amount he wanted, and in turn, I would give
9 him a check to go back into his bank. Now, why, I have never
10 found out.

11 C. Your bank is located where?

12 A. ~~the~~ Bank of California.

13 C. Has that been your bank for the last six, seven
14 years?

15 A. Yes. That is actually a joint account ~~between~~ ^{of} my
16 wife and myself.

17 C. And Mr. Choi's account was located where?

18 A. ~~It was also~~ ^{It was also} ~~the~~ Bank of California in those days, I think.

19 C. Mr. Choi, also?

20 A. Maybe French Bank or Bank of California. I never
21 did pay too much attention to him.

22 C. But his account was in dollars?

23 A. In dollars, ~~he~~.

24 C. So you weren't exchanging won for dollars?

25 A. No.

1 C. Did you make these checks out to any one individual?
2 ~~Did you make them out to -~~

3 A. Most of the checks ~~were~~ made out to him.

4 Q. To him?

5 A. Personally. There might have been ~~made some~~ out to
6 people in the States.

7 MR. BAKER: How were the checks made out which Mr.
8 Choi gave to you?

9 THE WITNESS: They were signed by him.

10 MR. BAKER: Made out --

11 THE WITNESS: To George Krause.

12 MR. BLUSH:

13 C. Now, we're talking here about what time frame, the
14 early '70s?

15 A. Gee, I can't remember. Through the years from '70 --
16 maybe '73, '74, '75, I don't know.

17 C. Did Mr. Choi form a business relationship with
18 Foremost-McKesson?

19 A. This, I don't know. I really don't.

20 C. Did he come to form a relationship with Apex/FEMCO?

21 A. On the supply, yes.

22 C. What is the nature of that relationship?

23 A. Other than supply, that is about all I know on this.

24 C. But what services ~~does~~ ^{did} he supply?

25 A. Well, he takes care of, I would say, a liaison type.

1 Q. Liaison?

2 A. Liaison officer.

3

4

5

6

7

8

9 MR. BLUSH:

10 Q. He would liaise with Korean Government agencies and
11 with the hospital; is that correct?

12 A. Yes, I imagine that's what it would be.

13 Q. Can you give us a description of Mr. Choi's
14 background?

15 A. No, I can't. Actually, I'm not too close to Mr.
16 Choi. I have never been close to him. He is different.

17 C. What do you mean by that?

18 A. Well, he ~~doesn't~~ speak the best English in the world,
19 and I don't think that he understands my English too well.
20 But being a member of Apex, many times he ~~would~~ come to me on
21 supply and so forth and so on. He ~~would~~ try to talk to me and
22 I ~~would~~ try to talk to him.

23 But most of the business has always been done
24 through Mr. Lim.

25 Q. So Mr. Lim would be closer -- much closer to Mr.

1 Choi?

2 A. Much closer than I am. They play golf together.

3 Most of my work is in the field.

4 Q. Are you familiar with Mr. Choi's relationship with
5 the EPE[Economic Planning Board]?

6 A. No, I'm not.

7 Q. Do you know ~~that he has~~ ^{Ick} a relationship with the EPE?

8 A. Well, he would evidently had to have ^{had} to have this
9 contract, because everything, as I found out through the RGE,
10 has to go through the Economic Planning Board. What his
11 relationship would be, whether it would be business, I don't
12 know.

13 Q. Do you know Mr. Um ~~or~~ Ho?

14 A. No, I don't.

15 Q. Have you ever heard the name before?

16 A. I have heard the name, but I am not familiar with
17 it.

18 Q. In what context have you heard the name?

19 A. Well, probably I heard the name, you listen to
20 people talk. ~~more or less~~.

21 Q. Well, I mean as a friend of Mr. Choi's, as a high
22 government official ~~or what~~?

23 A. No, probably ^{as} a friend of Mr. Choi's.

24 Q. Have you ever met Mr. Um?

25 A. I think I have met him. Of course, I meet many

whose
1 Koreans / I don't remember the names

2 C. Well, have you ever had dinner at Mr. Um's house?

3 A. No, I have never been to his house.

4 C. So your relationship is purely through Mr. Choi?

5 A. Yes.

6 C. Do you know if Mr. Choi has any connections with
7 the Blue House?

8 b. No, I don't.

9 C. How about with the Korean Central Intelligence
10 Agency?

11 F. No, this I wouldn't know.

12 Q. Have you ever met a member of the Korean Central
13 Intelligence Agency through Mr. Choi?

14 A. No. In fact, I don't think I have ever met one,
15 that I know personally.

16 C. Do you know an individual named Kim Chong Hee, also
17 known as Dynamite Kim?

18 A. No, truly I don't know him.

19 Q... Let me help if I can by describing him as the
20 President of Korean Explosives. □

21 You have heard of him?

A. Yes. I have a little p

23 and he is supposed to have a place around the corner from me,
24 but I have never met him.

25 C. Do you know if Mr. Choi is familiar with Mr. Kim?

1 A. No, I don't.

2 C. Mr. Krause, did there come a time when your
3 practice of exchanging checks ~~for~~ Mr. Choi changed in the
4 following way: Did there come a time when he asked you to
5 make disbursements to individuals ~~as opposed~~ rather than to himself?

6 A. I think several times ~~that~~ he asked me for a check
7 and he never put any name on the check, but I surmised it was
8 ~~practice~~ the same ~~X~~ that it was going to him.

9 C. Do you know an individual named Koo Eum?

10 A. I would have to know where he was or where he works.
11 The name Koo Eum is not familiar to me unless that was _____
12 his name, was that his name?

13 Q. ^{Whom} What do you mean?

14 A. Mr. Choi.

15 C. What makes you think that that is his name?

16 A. Because I think that was the name on one of the
17 checks, Koo Eum.

18 Q. Well, you ^{know} ~~know~~ Koo is a Korean name?

19 A. Yes.

20 C. You know that Koo is a different character and ^{therefore} ~~a~~
21 different name than Choi?

22 A. Yes. But I know this ^{came} up. I asked one time, I
23 think, who is this Koo Eum?

24 A. He said make this check ^{out to} Koo Eum. I remember this.

25 C. But you have never met an individual named Koo Eum?

1 A. No. Even today, I don't know who he is or even if
2 he is a man. To me it's ~~a~~ just name.

3 Q. Our records indicate that ~~the~~ through your bank
4 account, you provided Mr. Koo with at least \$130,000. I take
5 it that these transactions would have been transactions made
6 at Mr. Choi's request?

7 A. Yes.

8 Q. Do you know an individual named Moon Byung Ha?

9 A. No, I don't.

10 Q. Mr. Moon?

11 A. (witness shakes head).

12 Q. Again, this is another individual --

13 A. Yeah, uh-huh.

14 Q. -- of the same category as Mr. Koo?

15 A. Yes.

16 Q. Do you know an individual named Kun S. Rim?

17 A. ~~I don't know~~ isn't that one of the Sang Rim crowd?
18 I think it is.

19 Q. Do you know a Richard Ryu?

20 A. Not personally, I don't ~~know~~. It's just another
21 name to me.

22 Q. You have heard the name?

23 A. Yes, it's just another name to me, though.

24 Q. On September 14th, 1976 you received in your bank
25 account in the United States \$350,000 via a wire transfer.

1 Are you familiar with that? *transaction*

2 A. Yes.

3 C. What was the source of that money?

4 A. That was another one of the checks that he had.

5 C. That is a lot of money?

6 A. It's a lot of money.

7 C. Subsequent to that you made cash disbursements of

8 nearly all of the entire \$350,000; is that correct?

9 A. Yes, all of it.

10 C. To individuals named by Mr. Choi?

11 A. Yes, *b/w* Mr. Choi.

12 C. I will just read off a list of the people, Koo Eum

13 being one of them, Richard Ryu, P. K. Chung, are you familiar

14 with a E. K. Chung?

15 A. I remember the name.

16 C. Do you know the individual?

17 A. No.

18 C. Moon Byung Ha?

19 A. No.

20 C. Eleanor Um?

21 A. No, no, I don't know that *one* either.

22 C. Um Ik Ho, we *have* already mentioned. Lee Jae Won?

23 A. No. Let me think back. This was a transaction out

24 of Japan, wasn't it?

25 C. *You say* The money came from Japan, *you say*

1 A. It came into my account. I didn't even know
2 anything about it until he told me.

3 Q. Until he told you he had wire transferred funds
4 into your account?

5 A. Yes.

6 Q. That was the first you learned of the \$350,000?

7 A. Yes.

8 Q. Did he tell you where he had gotten the \$350,000?

9 A. No.

10 Q. Did you ask him?

11 A. No.

12 Q. Did he ask you to do anything with this \$350,000?

13 A. He asked me to make checks out to these people that
14 you mentioned before.

15 Q. Did he provide you with a list of names?

16 A. Yes.

17 Q. And amounts?

18 A. And amounts.

19 Q. Do you still have that list?

20 A. No, I haven't.

21 Q. Is that list still in existence as far as you know?

22 A. No.

23 Q. Did you ask him why he wanted these various
24 performed transactions?
A. I have asked him lots of times ~~on this~~ why, but he

1 would never give me an answer. As far as I know, all of this
2 was in American money.

3 C. Mr. Krause, are you familiar with Dr. Kim from the
4 hospital?

5 A. No.

6 Q. You have never met him?

7 A. I think I met him one time when FEMCO was still
8 thinking about taking the contract, because at that time I
9 would have had to get a clearance from the two government's
10 to do the contract.

11 C. That is because of the SOFA Agreement?

12 A. Because of the SOFA Agreement ~~so~~ >

13 ~~so~~ After that I never met him again. I stayed
14 completely away. I was kind of disgusted with the whole
15 operation.

16 Q. Why is that?

17 A. I felt that FEMCO, ~~had~~ had worked so hard
18 trying to get it, and then finding out ~~I~~ we did not
19 do with it.

20 C. But of course Apex had a contract ~~X~~ ^{did it not}

21 A. Yes. But this was supply.

22 C. Yes.

23 A. ^{And} ~~I~~ I am in the contract ~~X~~ end.

24 C. But as a director of Apex, you certainly would
25 accrue profit from Apex's relationship?

1 A. I hope we do.

2 C. Yes.

3 A. As of today I don't think we have.

4 C. Mr. Krause, you continued to make disbursements,
5 presumably at Mr. Choi's request, right up to the present? ^{that correct}

6 A. Right up to the present.

7 Q. In fact on June 1st of this year you received a
8 hundred thousand dollars from Mr. Choi?

9 A. I think a hundred thousand dollars, and about a
10 week or two later some more money. The only reason -- of
11 course it was very hard for me to do this. I didn't want to
12 do it. But the only reason I went through ^{with} ~~it~~ was to get
13 along with this man. He is a very hard man to get along with.

14 Q. Why?

15 A. He is different.

16 Q. Describe to me how he is hard to get along with.

17 A. He is like Napoleon, very persuasive. There was
18 never any profit or any money in this for me, nothing.

19 Q. Did he ever threaten you with --

20 A. No, there was never any threat, but as a
21 businessman, in business with him, ^{I did this} ~~to get along with~~ smooth
22 operation. ~~I~~

23 Q. Are you familiar with the code of ethics
24 certification that was required of Apex by American Hospital
25 Supply?

1 A. No.

2 C. Were you aware --

3 A. I am now. I just read it Saturday.

4 C. Could you describe that for us from your reading of
5 it?

6 A. Well, the code of ethics was that there were ~~any~~

7 ~~thinking or concern~~ was never supposed to be a pay-off to
8 anybody, ~~or~~ government officials or anybody who had anything
9 to do with the contracts. ~~I~~, that is about all I can
10 say ~~from~~ ^{from} the fast reading ~~as I read through it.~~

11 C. Were you made aware that there was considerable
12 concern during the course of this contract that payments ~~were~~
13 ~~were~~ may have been made by Mr. Choi?

14 A. No.

15 C. Or by Apex?

16 A. No. In fact, I was asked this one time by somebody.
17 As far as I know, I don't know of this.

18 C. Who would have asked you?

19 A. ~~I~~ was asked ^{this} by a man by the name of Edwards.

20 C. Would that be David Edwards?

21 A. I imagine that is the name, David.

22 C. He was an employee of --

23 A. Yes, I had met this man, twice is all.

24 C. You are going to have to let me finish the question
25 or it's not going to be on ~~the record~~.

1 A. Sorry.

2 C. I was ~~about to~~ ask you if Mr. Edwards was an employee of
3 American Hospital Supply Company, ~~if~~ you are aware?

4 A. I can go now?

5 C. Yes.

6 A. I met Mr. Edwards the first time he ~~came~~ to Korea
7 with a group. There was a big group that ~~came~~. Then he ~~came~~
8 to my house one time after that, after he had come back to
9 Korea. He had ~~come~~ back to ~~the~~ States and then ~~came~~ back to
10 Korea. ~~at the~~ ^{when} ~~time~~ he ~~came~~ back he was looking for a house,
11 or houses, for American Hospital. I think at the time he
12 wanted ten houses. He asked me a few questions.

13 C. He asked you in particular if any ~~were~~ payments were
14 being made by Mr. Choi or by Apex?

15 A. Along ~~that~~ line, yes, if anybody had ever made any
16 payments, or how we had ~~got~~ gotten the contract. My answer to him
17 was, "I don't know."

18 C. You in fact don't know whether or not Mr. Choi ever
19 made any payments?

20 A. I don't know.

21 C. In fact, isn't it possible that you made payments
22 through ~~for~~ these various transactions?

23 A. Well, I hope not.

24 C. But it is possible^{is it not}

25 A. It could be possible.

1 Q. Because you don't know these individuals?

2 A. I don't know the people, no.

3 C. You received a hundred thousand dollars ^{on} June 1st.

4 You said there was a subsequent receipt of more funds ^{is that correct} ~~if~~

5 A. Yes.

6 Q. How much have you received since June 1st?

7 A. Another hundred thousand dollars, I think.

8 C. When was that?

9 A. A couple weeks later. I think it was a couple
10 weeks later.

11 C. That would have been mid-June?

12 A. Yes.

13 C. Have you received any since mid-June?

14 A. No, I don't think so.

15 C. ~~Do you mean~~ ^X So he may have just wire transferred funds into
16 your account without you even knowing about it?

17 A. No, since ~~the~~ one time ^{that} ^{when} I got mad he has never done
18 that.

19 Q. When did you get mad?

20 A. After the \$350,000.

21 Q. You mean he hasn't done that, he hasn't wired funds
22 without telling you? ^{since} He has come to you first?

23 A. (Witness nods head).

24 Q. Since mid-June have you received any funds?

25 A. I would have to look at my check record to remember.

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KEY WORD INDEXED

1 C. Well, this would be in the last two months.

2 A. Yeah. Gee, I can't say. I don't remember. There
3 have been so many of these transactions.

4 C. Yes, there have. I think the record reflects that.

5 Do you know Myung J. Kim?

6 A. No, I don't, by ~~the~~ name. If you could tell me
7 where the man works.

8 Q. I am not sure it's a man. It's a recipient of
9 funds from your account.

10 But you did say you knew Dr. Kim, you had met him?

11 A. Yes.

12 C. Do you recall a time when Mr. Choi asked you to
13 disburse funds to ~~Hong Ki~~ Dr. Kim?

14 A. No, I don't.

15 C. Well, our records reflect that in August of 1977,
16 August of last year, you received \$5,000 on August 3rd from
17 Sang Rim and on August 11th you disbursed \$5,000 to Dr. Kim,
18 who was then, I believe, in the United States.

19 A. Are you sure that this was the same Dr. Kim?

20 Q. Do you know Hong Ki Kim?

21 A. I know another Dr. Kim here in the States.

22 Q. Well, the recipient was Hong Ki Kim, which I
23 believe is the same name of the Dr. Kim at the hospital.

24 MR. EAKER: Did you around that time disburse
25 funds to another Dr. Kim for Mr. Choi?

1 THE WITNESS: There was another Dr. Kim that was a
2 very close friend of mine here in the States. But not ~~of~~ Mr.
3 Choi. ~~That~~ ^{never had anything} never had anything to do with Mr. Choi. He lives
4 ~~here~~ in Colorado. A very close friend of mine.

5 MR. BLUSH:

6 Q. What is his full name?

7 A. I'd have to look in my record because as always, we
8 call each other by our surnames.

9 Q. I'd appreciate it if you would look in your records
10 and provide us with a list of recipients of funds ~~paid~~
11 ~~paid~~ at the direction of --

12 A. Mr. Choi?

13 Q. Yes.

14 MR. BAKER: Let's clarify that point. Did you
15 make a payment to your friend, Dr. Kim, from Colorado, on
16 behalf of Mr. Choi?

17 THE WITNESS: No, no.

18 MR. BLUSH:

19 Q. Do you know a Mr. or Mrs. Richard S. Ko?

20 A. Personally, no.

21 Q. Was this person also a recipient of funds from you
22 at the direction of Mr. Choi?

23 A. Yes.

24 Q. I'd ask the same question about Mr. Omar Noles.

25 A. Dr. Noles.

1 Q. Who is Dr. Noles?

2 A. A very close friend of mine in Portland, Oregon. I
3 don't think that Dr. Noles and Mr. Choi know each other. We
4 worked together in Korea and I have had ~~a little bit of~~
5 business relations with him in Portland.

6 Q. What kind of business?

7 A. Real estate and so forth and so on.

8 Q. Is it just coincidence that you sent Mr. Noles
9 \$9,000 on December 17th, 1977 and two days later received
10 \$9,000 from Sang Rim?

11 A. They are not the same.

12 Q. But I mean, it would appear from that transaction --

13 A. It probably does, yes.

14 Q. That Sang Rim was ~~seeking you~~ returning payment
15 for that disbursement?

16 A. No.

17 Q. They are separate transactions?

18 A. Altogether separate, yes.

19 Q. Do you know a Hyin Ha Lee?

20 A. Can you tell me where he works?

21 Q. I'd love to, but I am afraid all I know is you sent
22 him \$10,000 March 1st of this year after receiving \$95,000
23 from Sang Rim.

24 A. I don't know the man. He lives in the United
25 States?

1 C. I am not sure whether he lives in LA or Korea.

2 How about Mr. Y. E. Lee?

3 A. I don't think that this man has any relation to Mr.

4 Choi at all, either.

5 C. Do you know who this individual is?

6 A. Yes.

7 C. Who is he?

8 A. He lives in the United States.

9 C. Who is this individual with respect to ~~that~~
10 transaction?

11 A. Well, actually, they are friends of my wife.

12 C. What occupation does Mr. Lee have?

13 A. Mr. Lee is, I think he is a real estate broker here
14 in the States, ~~as~~ far as I know.

15 C. Did you invest in some property with him? Is that
16 the nature of ~~the~~ relationship?

17 A. Yes.

18 C. But it has nothing to do with Mr. Choi?

19 A. No.

20 Q. On May 18th of this year, that is about two and a
21 half months ago, you received \$50,000 from Sang Rim and
22 disbursed \$50,000 to Min Ik Son. You know Mr. Son, I believe?

23 A. I just ^{met} ~~know~~ him. I never did any business with him
24 outside of ^{his} ~~him~~ working here.

25 Q. He is an employee of Apex?

1 A. Yes.

2 Q. Do you know he has a family relationship with Mr.
3 Choi?

4 A. I have heard he does. Maybe brother-in-law or
5 something.

6 Q. Can you clarify why Mr. Choi would be sending
7 \$50,000 to you to send to his brother-in-law, when his
8 brother-in-law is right here in the United States and he
9 could send it directly?

10 A. I actually can't. I can't clarify any of these.

11 Q. You say that you asked Mr. Choi about these
12 transactions, why he was asking you to do this?

13 A. Yeah.

14 Q. And yet he never gave you an explanation?

15 A. Never gave me a good explanation.

16 C. What explanation did he give you, good or bad?

17 A. He ~~said~~ it was for tax purposes.

18 C. For tax purposes?

19 A. (Witness nods head).

20 Q. Meaning Korean taxes?

21 A. Evidently.

22 MR. BAKER: If the Korean tax authorities were not
23 able to trace a transfer from Mr. Choi's account to your
24 account, why would they be able to trace it from his account
25 directly to their accounts?

1 THE WITNESS: I don't know. I don't know. He had
2 asked me one time why I didn't change banks, but I banked ~~for~~ so
3 long at Bank of California, "I said regardless, Mr. Choi, if
4 I changed banks it wouldn't be of any benefit to you or me or
5 anybody else. If the government wants to check my bank
6 account they can check it anywhere in the world."

7 MR. ELUSH:

8 Q. He was concerned about somebody checking your bank
9 account?

10 A. Evidently.

11 Q. Didn't he say that to you, as a matter of fact?

12 A. Well, the way I told you, is what he ~~said~~ said.

13 Q. He just came right out of the blue and said, "Why
14 don't you change your bank account?"

15 A. Yes.

16 Q. Do you know a Mr. H. S. Han? I believe the full
17 name is Hong Suk Han?

18 A. No, I don't. You see, we never -- in Korea we
19 never used the full name.

20 Q. Well, is Mr. Choi close to a Mr. Han?

21 Q. Could you tell me where Mr. Han works?

22 Q. No. I was hoping you could, actually.

23 Did Mr. Morse ever ask you whether or not you were
24 making any disbursements at Mr. Choi's request?

25 A. No.

1 C. He never asked the question?

2 A. No.

3 C. Did he ever ask you whether you had any knowledge
4 of whether Mr. Choi was making payments to officials?

5 A. Never did.

6 C. Did anyone from American Health Facilities
7 International, AHFI, or from the parent company, American
8 Hospital Supply, ever ask you whether or not payments were
9 being made?

10 A. No.

11 C. Is it your understanding that the original
12 relationship with Mr. Choi with respect to the Seoul
13 National University
~~International~~ Hospital was formulated out of the relationship
14 between Mr. Catibayan and Mr. Choi?

15 A. Yes.

16 C. Was Mr. Catibayan also making disbursements as you
17 have -- as we have discussed here?

18 A. Not that I know of, because he spent most of his
19 time in the Philippines.

20 Mr. Choi never had access to him.

21 C. What about Mr. Lim, would Mr. Lim also have made
22 disbursements?

23 A. I think Mr. Lim has.

24 C. Do you know, or rather can you describe the
25 relationship between Dr. Kim and Mr. Choi? Or would that be

1 something Mr. Lim would be more likely to know?

2 A. Mr. Lim knows quite a bit more about the operation.

3 C. Did Foremost ask you -- by "you" I mean PEMCO -- to
4 make any disbursements to Mr. Choi?

5 A. Not that I know of.

6 C. Has Mr. Choi ever received funds from bank accounts
7 or other depositories of funds in Manila?

8 A. Not that I know of.

9 C. Have you ever brought money from Manila into Korea
10 for Mr. Choi?

11 A. No.

12 C. Do you know of anyone else who has?

13 A. No.

14 C. Have you ever heard the term, the "J-Factor"?

15 A. About a week ago.

16 C. In what context?

17 A. The J-Factor was asked me by a -- let's see, what
18 is his name -- ^A/lawyer that AHFI has.

19 C. Is that Mr. Woods?

20 A. No, I was trying to think of the name. I will have
21 to ask Don if he knows. They came to Korea just before I
22 left and asked me what the J-Factor was.

23 C. What did you say?

24 A. I didn't know. I asked Don yesterday what the
25 J-Factor was.

1 Q. What did he tell you?

2 A. Something about little Jesus. Now, what this is, I
3 don't know.

4 MR. BLUSH: Ed, do you have any questions?

5 MR. EAKER: Yes.

6 EXAMINATION BY MR. EAKER

7 MR. EAKER:

8 Q. Why did Mr. Choi ask you to do this kind of check
9 exchange for him instead of asking Mr. Lim who was working
10 more regularly on the SNUE project?

11 A. I think because I probably had a bigger bank
12 account than Mr. Lim.

13 C. How would Mr. Choi know that you had a bigger bank
14 account than Mr. Lim?

15 A. Well, being ~~an~~ American citizen he probably figured
16 I did, being an officer of FEMCO.

17 Q. But the bank account that you were using was your
18 own personal bank account?

19 A. Mine and my wife's.

20 C. Yes.

21 A. My wife is Okinawan, by the way. She's not an
22 American citizen.

23 Q. When you were first asked about this you said that
24 in most cases these were -- the checks that you made out were
25 made out to Mr. Choi and that ~~on~~ certain occasions there was

1 no name made out on the check?

2 A. That's right. Actually they weren't made to Mr.

3 Choi, most of them. In other words, he asked me for a

4 transaction of my check for his check.

5 Being that I could not change won for American
6 money, in other words, my transaction had to be in the States.

7 C. So if I could recapitulate, most of these
8 transactions were cases where Mr. Choi came to you, gave you
9 a check made out to you on his account and asked you to write
10 a check on your account to another individual who he named?

11 A. ~~That~~ is right.

12 C. Okay. Have you ever been questioned by the IRS
13 about all of these sums of money traveling in and out of your
14 checking account?

15 A. No. I expected to be, but I never have.

16 MR. BLUSH: I'd like to take a five-minute break.

17 (Recess taken).

18 MR. BLUSH: Let's go back on the record.

19 Mr. Krause, in the interoffice correspondence --

20 Before I do that, Ed, do you have a question?

21 MR. BAKER:

22 C. Yes. Continuing on the subject we were dealing
23 with, these payments you made to individuals on behalf of Mr.
24 Choi, do you know what the source of the money that Mr. Choi
25 was putting into your bank account was?

A. No, I haven't got the least idea.

2 C. Do you have any idea what other possible sources of
3 foreign exchange Mr. Choi had besides his contract with ABFI
4 and Apex?

5 A. No. I could say that Sang Rim has quite a bit of
6 operations in Korea on different supplies.

C. With other foreign corporations?

15 Q. But as far as you know, you have no way to
16 determine where that money was coming from?

17 A. No, no way.

EXAMINATION BY MR. BLUSH

MR. BLUSH:

24 C. ~~in~~ in your experience isn't it a fact that
25 American businesses as well as Korean businesses often have

1 to make payments in order to get contracts in Korea?

2 A. Well, being that I have never, outside of this --
3 these two contracts, been on that end where I ever took a
4 contract with a Korean, outside of the invited contractors --
5 now, we would never pay any fee to the United States
6 Government. I don't think they would ever accept a fee. If
7 they did, they'd probably lose their job in doing so.

8 C. But about the Korean Government, which is what I
9 was speaking about --

10 A. Yeah.

11 C. Haven't you heard that Korean and American firms
12 have had to make payments to do business in Korea?

13 A. I have heard this. You have too. I have heard
14 this.

15 C. And you have heard it from people who have had to
16 make the payments, haven't you?

17 A. Yes. I have never seen it made. I couldn't prove
18 it was made, but I have heard this.

19 C. But you have heard those complaints?

20 A. Yes, I have heard these complaints.. We all have.

21 C. You did say that you have been in Korea for --

22 A. Thirteen years.

23 C. Thirteen years?

24 A. Yes. It's a hard place to do business. It always
25 has been. Thank God I am protected by the invited-contract^{or}

1 status.

2 C. I'd like to refer to another document. This is
3 interoffice correspondence between Mr. Morse and Mr. Lim.
4 It's dated September 30th, 1976. It has a identification
5 marking, AE-64. The subject is an earlier interoffice
6 correspondence, AK-70 and Phase III in general, it says.

7 I'd like you to read the first three paragraphs of
8 the document.

9 A. Okay.

10 (Witness examines document).

11 This "C," does that mean Cesar or Mr. Choi?

12 C. I believe it means Mr. Choi unless you can think of
13 a reason why Cesar would be receiving a commission on that.

14 A. I hope not. Richard Kim, that is Kopa?

15 C. Yes.

16 A. Who signed this letter? Nobody?

17 C. Well, this is interoffice correspondence?

18 A. Yes.

19 MR. EAKER: It's from Morse.

20 THE WITNESS: Yeah.

21 MR. BLUSH:

22 Q. The point I wanted to make was that in the second
23 paragraph it reads:

24 "My opinion and Ralph's is
25 someone is going to have to explain

1 the "Facts of Life" to Terry as he
2 doesn't really believe Ralph and
3 even seems to question my comments
4 on the situation in Korea. It is
5 impossible to threaten AHFI with
6 the results of what might happen
7 if they don't keep the "people" happy.
8 Their usual reply is, "Show me," or,
9 "If that is the case, we will just
10 give up the contract now."

11 "Mr. C" --

12 again, I think referring to Mr. Choi --
13 "should be prepared to really explain
14 the problems now existing and I think
15 you or Cesar should sit Terry down
16 and explain the entire picture from
17 the beginning as to how they got
18 the contract, who is really responsible
19 for it, and the reprocessions" --

20 but I believe it should read:

21 "repercussions that could develop if
22 it doesn't go smoothly. I think you
23 know what I am saying."

24 This is obviously referring to problems between
25 AHFI and Apex that had developed in 1976, at least problems

1 in the sense of a misunderstanding of some sort.

2 How do you interpret the phrase, "It's impossible
3 to threaten AHFI with the results of what might happen if
4 they don't keep the people happy?"

5 A. I can't. This is the first time I have seen this
6 letter.

7 C. But as interoffice correspondence, wouldn't this
8 cross your desk, also?

9 A. No, lots of it, ~~never~~ never crossed my desk.

10 C. It says: "I think you" -- meaning Mr. Lim, "or
11 Cesar should sit Terry down and explain as to how they got
12 the contract, who is really responsible for it, and the
13 repercussions that could develop if it doesn't go smoothly."

14 Now, could you give us a little more detail on how
15 they got the contract, how AHFI got the contract?

16 A. Actually I can't because I was working at -- with
17 Foremost. If Foremost would have ~~got~~ gotten
18 ^{installation} have had the ~~insulation~~ under FEMCO. As ^{soon} ~~soon~~ as AHFI got
19 the contract, right from the start they said, "We don't need
20 FEMCO." This is ~~when~~ when I got a little mad and I just stopped.
I never went back to the place. I have only been to the
22 hospital one time. That was when Foremost was working with
23 FEMCO.

24 C. Right. But my understanding is that subsequent to
25 AHFI's coming on there was a request from the hospital that

1 FEMCO people not go to the hospital, isn't that correct,
2 because of the SOFA Agreement?

3 A. This is what I was told.

4 Q. Because of the SOFA Agreement?

5 A. Well, actually I couldn't do anything.

6 Q. Right.

7 A. I was tied ^{down} until I got an agreement from the United
8 States Government and the Economic Planning Board that I
9 could do business on a commercial -- in a commercial basis.

10 Q. Right. So when you say you didn't go back to the
11 hospital, part of the reason is you were being asked not to
12 go back?

13 A. Yes.

14 Q. The document also says, to explain to -- for Mr. Lim and
15 Cesar to explain who is really responsible for the contract
16 that AHFI got.

17 Who is really responsible, in your opinion, for the
18 contract that AHFI got?

19 A. Well, I think the man pushing the contract is
20 probably Mr. Choi.

21 Q. And --

22 A. I think he had a lot to do for us getting the
23 contract.

24 Q. What about Mr. Choi, did somebody have -- was
25 somebody responsible for Mr. Choi being in a position to get

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1 the contract?

2 A. This, I don't know.

3 C. Is that your understanding?

4 A. This, I couldn't say. Honestly, I couldn't say.

5 C. Well, from your experience in doing business in
6 Korea, is it likely Mr. Choi would have had to have the
7 assistance of somebody within the Korean Government?

8 A. Well, he probably did. I imagine that he'd have
9 lots of friends in the Korean Government, as the Korean
10 Government runs. Everybody has to have a friend or two. I
11 had to have a friend to get here on the plane so I could talk
12 to you people. There were 50 people ahead of me.

13 C. Is this on a military flight or commercial?

14 A. Commercial.

15 C. The document also says that →, [redacted] Mr. Lim and
16 Cesar should speak to Mr. Dahl about the repercussions that
17 could develop if the project doesn't proceed smoothly. Was
18 there any discussion of repercussions?

19 A. Not that I am aware of. As I say, I have never
20 read this letter before.

21 C. You never had any discussion with Mr. Morse or were
22 ever present in a meeting where Mr. Morse and anyone else had
23 a discussion about these issues?

24 A. No, no.

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KEY WORD INDEXED

136. Letter from Foremost-McKesson, Inc., to the Subcommittee, undated

Foremost-McKesson, Inc.

Crocker Plaza · One Post Street · San Francisco, CA 94104

HOUSE SUBCOMMITTEE REPORT
SEOUL NATIONAL UNIVERSITY HOSPITAL PROJECT

We appreciate the opportunity the Subcommittee has afforded us to comment on the portion of its draft report which pertains to the Seoul National University Hospital ("SNUH") in Korea.

As the draft report makes clear, prior to 1974 Foremost-McKesson, Inc. had been involved in the SNUH project only to the limited extent of preparing a feasibility study of the project. Shortly afterward, Foremost withdrew entirely from the project. At no time during its brief involvement in the SNUH project did Foremost make any questionable payments to government officials either directly or indirectly.

We have been advised that your Subcommittee's own investigation reveals no questionable payments by Foremost. Although this conclusion is implicit in the draft report, we believe that an express statement to that effect would be more appropriate.

We feel that the draft report does not accurately characterize certain aspects of negotiations which preceded Foremost's withdrawal from the project and our comments in this respect have been communicated to the Subcommittee. We are, however, in agreement with the report to the extent that it indicates that Foremost's role in the SNUH project was relatively minor and that there was no evidence of questionable payments by Foremost.

FOREMOST-MCKESSON, INC.

137. Letter from Donald Morse, APEX International Inc., to Hon. Donald M. Fraser, dated October 2, 1978

APEX INTERNATIONAL INC.
P.O. BOX 4453 — BURLINGAME, CALIFORNIA 94010

October 2, 1978

840 HINCKLEY RD. SUITE 142
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Congressman Donald M. Fraser, Chairman
Committee on International Relations
Subcommittee on International Organizations
U.S. House of Representative
3515 House Annex #2
Washington, D.C. 20515
Dear Congressman Fraser:

Steven M. Blush, Investigator, Subcommittee on International Relations has forwarded us an excerpt of his report having to do with our involvement in the Seoul National University Hospital Project, Seoul, Korea. We wish to take exception to some of the statements therein as some of them are incorrect or misleading and if left uncorrected disclosure of same could have a extremely harmful effect on the business and our firm. If corrections cannot be made we feel that as a minimum our stated position should also be included in the record.

1. The proposed final report states that Mr. Choi arranged for us to work on the SNUH project to facilitate the disbursement of Political funds. The sole purpose of our participation in the project was to supply, Mechanical, Electrical and Architectural equipment.

Before the SNUH Project was offered to Foremost the Hospital offered us the opportunity to make proposals to supply the mechanical, electrical and architectural equipment and in fact we did do considerable work up for the supply of this equipment. Later when the SNUH decided they would prefer a prime contractor with greater financial assets the project was presented to Foremost. As added incentive to Foremost to accept the project they were informed that we were available and prepared to supply that portion of the project on which they had little or no experience. Because of our involvement as a supplier Mr. Choi requested our assistance in transferring his proposed commission advances from Foremost as a favor to him. We were and are primarily suppliers.

2. The proposed report refers to documents indicating that Apex would pass through \$500,000 in proposed advance commission from Foremost to Choi. No such payment was ever made and we feel that the record should so indicate.

3. The proposed report states that Choi became our agent in 1974. The record should indicate that Mr. Choi has been our agent in Korea since 1972. A separate agreement for the SNUH Project only was reached with him in 1974.

4. The proposed report states that as early as 1972 Apex was aware of the necessity of payments and that we believed our only role was that of a conduit of funds to Choi. In addition, that Choi's political funds were to be shared by Dr. Kim, etc. As mentioned above our role was that of a supplier, not a conduit of funds to Choi. The writer had had over 30 years of experience in the export business primarily into the Far East Area and since 1968 as a exporter of construction equipment and materials, among other products, to Korea and the Philippines. Thus we felt fully qualified to take on the role of a sub contractor to Foremost, AHFI or anyone else who might need our services.

It is true we knew from the beginning of negotiations for the SNUH Project that commission payments were necessary. We have seldom had a order in our many years in the export business where a salesman's commission was not included. However, we have never known that any portion of the commissions we paid to Mr. Choi were intended for any Government official. Nor did we or do we have any knowledge that any portion of the commissions were or are to be shared with Dr. Kim. We were aware of Mr. Choi's request for advances on his commissions which he informed us were to cover his out of pocket expenses for overseas travel, telephone and other business expenses in connection with the Project negotiations.

5. It is true that our affiliate in Korea issued a check for \$1,500.00 in 1972 to Dr. Kim for travel expenses in the U.S.A. Said amount was later charged to Apex's account and we in turn debited to Mr. Choi's commission account. It may have even been paid back to Mr. Choi in local currency after Dr. Kim's return to Korea. At that time (1972) we had no knowledge that Dr. Kim's position as superintendent of the SNUH Hospital automatically made him a government official.

6. The proposed report states that "Apex had committed in writing in February 1973 the covert role that Dr. Kim was to play, using code names Charlie & Peter for Choi and Dr. Kim". It further quotes excerpts of said correspondence. So far as we were concerned, there was no covert role for Dr. Kim, we have never paid him any commissions. We had been using the code names Charlie and Peter for some time simply for business security reasons.

This first portion of the quoted correspondence refers to a conversation with (a Foremost official) wherein the words "arrangements for political consideration" appear. These words were used by the Foremost official not by us. We never agreed with Foremost or AHFI to disburse funds for "political consideration" Neither Foremost^{DO} AHFI has ever asked us to do so, and we have not done so. We have paid commissions to Mr. Choi solely for the services outlined in our contract with him, including assistance in obtaining and negotiating our contract with AHFI and assistance in Korea in performing this contract.

In our contract with Mr. Choi he has expressly represented that no part of his commission will be paid to any govermental official. Likewise our contract with AHFI prohibits improper payments. Until the time of the depositions we were unaware that any of the commissions paid Mr. Choi were paid over to Korea officials.

The whole point of the correspondence, from which an excerpt is quoted, was to express concern about obtaining the supply subcontract on the project. Unless we obtained the subcontract, Mr. Choi would receive no commission from us. The reference to Charlie and Peter was to the team working on the project negotiations with Foremost. The words "their part of the deal" were carelessly chosen because we were only dealing with Mr. Choi with regard to commission payments. As stated previously, we have never known of any "covert" role played by Dr. Kim, and we have never intended to pay him any commissions.

7. The proposed report records a telex from Mr. Choi to AHPI in March 1975 purported to state in part "Protect Dr. Kim's portion". From the context of the telex and our knowledge of the negotiations we are positive that an error was made in the transmission of the telex in that it should have read "Protect Dr. Kim's position." We so indicated in our deposition on page 117. In our opinion the record should reflect the great possibility of this error. We had no knowledge of this telex prior to its being shown to us at the time your committee took my deposition. Since that time we have learned that Mr. Choi himself had corrected the telex by letter, which further supports our contention.

8. The proposed report indicates that money's were laundered by Choi through the bank account of a Apex official. The record should also reflect that it was done by him as a personal friend of Mr. Choi's and not as an official of Apex and without the knowledge authority or approval of Apex.

It is our sincere hope that we have been of some assistance to you and your committee in cooperating in every way that we could. We are also sure you understand our position in requesting that our stated position be included in the record in one form or another.

Yours very truly,

APEX INTERNATIONAL INC.



D. E. Morse
President

DFM/df

138. Letter from Leonard M. Ring, Leonard M. Ring and Associates, to Hon. Donald M. Fraser, dated October 3, 1978

LAW OFFICES
LEONARD M. RING
 AND ASSOCIATES

LEONARD M. RING
 JOHN L. LADLE, JR.
 THOMAS E. GIBBS
 EDWARD G. WILLER
 RALPH L. BRILL
 KARLA WRIGHT
 WARREN E. ABRAHAMSON
 CLARE J. MURPHY
 BRIAN W. BELL

SUITE 1333
 111 WEST WASHINGTON STREET
 CHICAGO, ILLINOIS 60602
 —
 AREA CODE 312
 TELEPHONE 332-1765

October 3, 1978

The Honorable Donald M. Fraiser
 Chairman
 Subcommittee on International
 Organizations
 United States House of Representatives
 3515 House Annex No. 2
 Washington, D.C. 20515

Report on Korea Investigation - Case #2

Dear Congressman Fraser:

We have reviewed Case #2 of your Subcommittee's investigation. On the fourth through sixth pages there are references to American Health Facilities International (AHFI). While your staff has access to much information that we are not privy to, on the basis of what we know there is a serious dispute as to AHFI's knowledge of alleged payments to Korean government officials. We believe that this dispute can be appropriately reflected, thereby making the report much more accurate and fair, by two minor changes which we have marked on the enclosed copies of the fourth and fifth pages.

The report's references to AHFI clearly represent an attempt to be fair to AHFI. Your carefully guarded language accurately reflects the vagueness of much of the evidence. You say that a "document seems to corroborate" (p. 4); "There is reason to believe" (p. 5); "Despite its ambiguity, this cable could be interpreted as indicating" (p. 6); etc. However, in view of this very vagueness that

such language recognizes we submit that you should at least mention the considerable amount of contrary testimony, some of which is quite unequivocal.

First, AHFI disputes that Foremost told AHFI that "political contributions would be expected and were a condition to obtaining the contract" (p. 4). AHFI's attorney, Don Woods, spoke to Messrs. Baum, Giles and Patterson of Foremost on July 19, 1978. Baum and Giles told Woods that they had definitely not communicated their suspicions about political contributions to AHFI. Patterson, Foremost's in-house attorney, refused to give an unqualified answer, but said he could not recall making any such communication. On July 24, Woods interviewed two top Foremost executives, Messrs. De la Ossa and Denaut, who also admitted never having told AHFI of anything relating to Korean political contributions. Mr. Rockwell, Foremost's consultant, was interviewed several times in July by Woods and denied voicing any suspicions to AHFI about political contributions. The subsequent change of Foremost's story - after AHFI sued Foremost on July 26 - is suspect and self-serving, as well as inconsistent with the statements of the AHFI representatives who dealt with Foremost. (For completeness, we should note that Patterson gave inconsistent stories to Woods both before and after the July 19 version summarized above.)

Second, the document referred to in your footnote on the fourth page, which we understand is a two-page memorandum dated November 11, 1974, does not "corroborate" Foremost's story. We have consulted the author of the document, the recipient of the document, and the source of the information referred to in the document. Although questioned separately, each man gave a consistent explanation of the document. Indeed, counsel for Foremost at his recent deposition gave a similar explanation of the "local contingencies" language in the document notwithstanding that Foremost is in a sharp dispute with AHFI over the very matter in question. (See attached pages 424-426 of Patterson deposition.)

Generally, over twenty past and present employees and officers of AHFI or related companies have denied any knowledge of payments to Korean government officials. In its suit against Foremost, based on the expected testimony of these people, AHFI has alleged that Foremost deliberately concealed from AHFI Foremost's knowledge of the possible

need for sensitive payments. We urge you in the interest of fairness to acknowledge in some way these disputes in the evidence.

On a different subject, we have asked your Subcommittee's investigator, Steven Blush, for the documents which are referred to in the Case #2 excerpt, especially in its last paragraph. We understand that at the moment you are not making these public. However, we would appreciate receiving copies of or access to these documents if they ever are made available to the public. Based in part on the information in your report, AHFI has decided to stop permanently all payments to Apex International Inc. and Sang Rim Trading and Industries Company, Inc. Both have threatened to sue us and we need evidence to defend our actions.

Finally, although this letter is occasioned by your draft report, please let us take this opportunity to commend Mr. Blush and Howard Anderson who were extremely professional, courteous and fair in all their dealings with AHFI. They inconvenienced themselves (including working one full weekend) in order to accommodate us and otherwise dealt with all witnesses and lawyers in an exemplary manner. Our concerns respecting your report in no way lessens the fine opinion Mr. Blush and Mr. Anderson have left with us as to the high competence and integrity of your Subcommittee's staff.

Very truly yours,

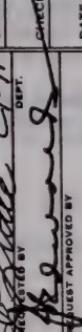
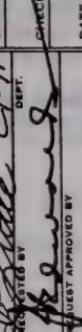
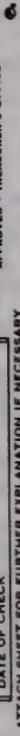
Leonard M. Ring
Leonard M. Ring

cc: Mr. Donald F. Woods, Jr.

139. Douglas Aircraft Co., Inc. disbursement to Gen. Shin Yoo Hyup, Korean Air Lines, dated February 7, 1966

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress or the United States and subject to penalties as provided by law.

140. Douglas Aircraft Co., Inc., supplemental disbursement to Gen. Shin Yoo Hyup, Korean Air Lines, dated February 8, 1966

DOUGLAS AIRCRAFT COMPANY, INC.		AIRCRAFT DIVISION																									
FACILITY LOCATION	Aircraft	DATE 2-8-66																									
SUPPLEMENT TO REQUEST OF 2-7-65 IN THE AMOUNT OF \$35,000																											
TABLE TO: General Shin Yoo Hyup, President Korean Air Lines																											
PLANATION: General Shin's contribution - Government Party of Korea.																											
<table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="2">ACCOUNT</th> <th colspan="2">AMOUNT</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>\$ 100.00</td> <td>\$ 500.00</td> <td></td> <td></td> <td></td> </tr> <tr> <td>REBATE</td> <td>\$ 94.03</td> <td>\$ 94.03</td> <td></td> <td></td> <td></td> </tr> <tr> <td>TOTAL AMOUNT</td> <td>\$ 594.03</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>						ACCOUNT		AMOUNT		Cash	\$ 100.00	\$ 500.00				REBATE	\$ 94.03	\$ 94.03				TOTAL AMOUNT	\$ 594.03				
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REQUEST FOR CHECK 4-28-66 (Rev. 1-62)		APPROVED  JOHN C. WHITE C-11 APPROVED BY DEPT. CHECK NO. 		APPROVED - TREASURER'S OFFICE  ATTACH SHEET FOR FURTHER EXPLANATION IF NECESSARY																							
<small>PRIES TO: IN REQUESTING DEPT. USE APPROVED BY DEPT. CHECK NO. REQUEST APPROVED BY</small>																											

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

141. Letter from C. K. Lee, Joongwon and Co., to James Edwards, Douglas Aircraft Co., Inc., dated April 30, 1966

JOONGWON & COMPANY, LTD.

Seoul, Korea

April 30, 1966

COPY

Mr. James B. Edwards
Vice President
Douglas Aircraft Company, Inc.
Aircraft Division
Long Beach, California, U.S.A.

Dear Mr. Edwards:

Quite sometime ago, we wrote you regarding to General Shin's request for split of 1/3 amount out of our's 3% to appropriate for his contribution, for which you had, in conformity with our solicitation at then, tactfully negated at the time when Mr. Shin was in Long Beach in February 1966.

In view of recent firm prospect for sales the second DC-9 to Korean Airlines and so as to facilitate for Mr. Shin's current adversity relative to the said contribution problem, we have no other way but to split 1% out of our's 3%.

In reverting, we acknowledge you our firm commitment to share out 1% to Mr. Shin and we hope that you have no objection.

Earnestly awaiting your acknowledgement for the above, we are in the meantime,

Sincerely yours,

JOONGWON & COMPANY, LTD.

C. K. LEE

cc: Mr. John C. Little

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

142. Letter from C. K. Lee, Joongwon and Co., to John Little, Douglas Aircraft Co., Inc, dated May 13, 1966

JOONGWON & COMPANY, LTD.
Seoul, Korea

VICE PRESIDENT INT'L COMMERCIAL SALES			
MAY 26 1966			
TO:	ACTING TO:	CC:	FILE UNIT
MR. LITTLE			
RECORDED			
MAY 13, 1966			
WINKLER			

Mr. John C. Little
International Commercial Sales
Douglas Aircraft Company, Inc.
Aircraft Division
Long Beach, California, U.S.A.

COPY

Dear Mr. Little,

Reference is made to our letter addressed to Mr. James B. Edwards as of April 30th, wherein we asked you to pay Mr. Shin for 1 $\frac{1}{2}$ out of our's of 3%.

In this connection, Mr. Shin will ask you for the same in writing with indicating to you the means of covering remittance and its' drawee, which method virtually in conformity with request by higher authorities concerned.

Reverting, you may consider this letter as our affidavit and shall very appreciate if you will kindly comply with Mr. Shin's request at your soonest convenience.

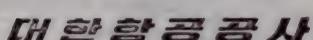
Sincerely yours,

JOONGWON & COMPANY, LTD.

C. K. LEE

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

143. Letter from Shin Yoo Hyup, Korean Air Lines, to John Little, Douglas Aircraft Co., Inc., dated May 13, 1966



P. O. BOX 884 CENTRAL
SEOUL, KOREA
TEL. 8-5131-8

CONFIDENTIAL

Mr. J. C. Little
Senior Sales Representative
Far East and Australria
Douglas Aircraft Company, Inc.
Long Beach, California
U.S.A.

INT'L AIRPORT CHT	
KOREAN AIR LINES	
MAY 17 1966	
CABLE ADDRESS: KOREANAIRLINES SEOUL, KOREA	
TO: <input type="checkbox"/> MJDON11 <input type="checkbox"/> PAGOR <input type="checkbox"/> TWA <input type="checkbox"/> IRIN <input type="checkbox"/> KOLY <input type="checkbox"/> LENDER <input type="checkbox"/> CIE <input type="checkbox"/> TELCO <input type="checkbox"/> DOWNTALK <input type="checkbox"/> TELCO <input type="checkbox"/> BINGER <input type="checkbox"/> THOMAS <input type="checkbox"/> WALLACE FROM: <input type="checkbox"/> SUBJECT: <input type="checkbox"/>	
 <i>MAY 13, 1966</i>	

Dear Mr. Little:

Due to our situation here, we can not send a man to Hong Kong that we talked over with you here.

Accordingly, we hereby request to you to remit rest of one percentage of its amount to Mr. Sang Ek Lee who is councilor, Korean Embassy in Japan.

(Address: 5, 1-chome, Takeya-cho, Azabu, Minato-ku, Tokyo,
Japan)

I sincerely hope that you will understand our situation and I would appreciate your prompt reply.

Best personal regards.

Sincerely yours,

Originals returned
to H. E. Hyatt
on 5-25-66.

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

144. Telex from John Little to J. S. Farra, dated May 17, 1966

May 17, 1966

PLEASE SEND THE FOLLOWING TELEX TO

DOUGLASAIR
NIHONDAC TK 2971
TOKYO (JAPAN)

ATTENTION J. S. FARRA

CI-11F-999 LETTER TODAY FROM SHIN ADVISES HONG KONG ARRANGEMENT WE DISCUSSED IS NOT POSSIBLE. SHIN REQUESTS TRANSACTION BE MADE WITH LEE, SANG/EK, COUNCILOR KOREAN EMBASSY TOKYO. RECALLING YOUR THOUGHTS ON THIS WOULD LIKE YOUR OPINION WITH RESPECT TO WHETHER DIRECT TRANSPORT FROM HERE OR ARRANGEMENT AS DISCUSSED WITH MARTINUZZI IS BEST COURSE. QUALIFICATION FOR RECEIPT OF THIS INSTALLMENT WAS MET BY KAL ON MAY SECOND PER CONTRACT. KNOWN TRAVELERS TO JAPAN ARE BERTINO TOMORROW MORNING ENROUTE DJAKARTA AND DENZER SOME TIME NEXT WEEK. REGARDS.

LITTLE

ed

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

145. Letter from C. K. Lee, Joongwon and Co., to James Edwards, Douglas Aircraft Co., Inc., dated May 24, 1966

JOONGWON & COMPANY, LTD.

CABLE ADDRESS
"JOONGWON SEOUL"

EXPORTERS & IMPORTERS

INTERNATIONAL P. O. BOX 1831
60, 1-KA, MYUNG-DONG, CHUNG-KU
SEOUL, KOREA

TEL: 8-43
8-76

DATE: May 24, 1966

Mr. James B. Edwards
Vice President
Douglas Aircraft Company, Inc.
Aircraft Division
Long Beach, California, U.S.A.

Dear Mr. Edwards:

Enclosed please find the copies of our letter addressed to you and Mr. Little on earlier date, for which Mr. Little advised us by his letter of May 17th that the said payment is only eligible after delivery of the aircraft.

Needless to say, we would not ask you of the payment either to us or Mr. Shin if that payment merely to accommodate for either of personal demands, as we fully understand and agree that our commission subject receivable after the delivery.

Virtually, the requested payment has in many aspects related to the firm sales of the second DC-9, as we and KAL very much hopeful that the necessary budget for the second DC-9 will be reviewed in the Second Supplementary Budget 1966 by the cabinet members and so as to the National assembly there-after.

Before the relevant budgetary review of the above, we and KAL require strong back-bone from the cabinet and National Assembly as well.

As the function of timing command tactics in every maneuver which we believe in many aspects like-wise applicable to sales maneuver especially for the current pending on the second DC-9, therefore we are obliged to urge for your most favourable consideration and arrangement for the said 1% payment to Mr. Shin out of our's 3% at your soonest if possible.

In addition, we have personally been request by DPM Chang and so have been obliged to remit the sum of \$10,000.- to his son who presently stay in US.

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

- cont'd -

As you already knew, Mr. Chang is the most powerful man in the cabinet especially for the allotment of budgetary program.

Please understand that, under the prevailing circumstances, we have no other solution but to depend on your thoughtful and intelligent know-how.

Your kindest response to the above shall very appreciate.

Sincerely yours,

JOONGWON & COMPANY, LTD.

C. K. LEE

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

146. Letter from John Little, Douglas Aircraft Co., Inc., to C. K. Lee, Joongwon and Co., dated June 3, 1966

We agree to pay 1% to KAL
until Exim approval of loan.

CI-11F-1120

June 3, 1966

Mr. C. K. Lee, President
JOONGWON & CO., LTD.
International P. O. Box 1831
60, 1-Ka, Myung-Dong Chung-ku
Seoul, Korea

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

Dear Mr. Lee:

Your letter to Mr. Edwards dated May 24th has been forwarded to me for reply as Mr. Edwards is out of the country on an extended trip.

Mr. Edwards and I have discussed the content of your letter and our position on this matter is as follows:

Our policy relative to the payment of commissions only upon the delivery of the aircraft is based on sound business practice. A firm contract for purchase and subsequent pre-delivery payments, as fulfilled by KAL, are certainly considered evidence of sincere intent to purchase and we honor them as such; however, when the purchase agreement is made "subject to financing", as in KAL's case, there exists a period of time prior to obtaining financing when we are continuing production on the specific configuration for KAL on a speculative basis, in that our costs are far in excess of the progress payments received. This is necessary, of course, in order that we meet the delivery date as specified in the purchase agreement.

While we, at this time, anticipate no difficulty in KAL's obtaining the requisite financing for this purchase, we are nevertheless in this speculative period until financing is approved. In the event that KAL should, for some reason, be unable to obtain financing or to take delivery of the aircraft, we would be faced with the task of recovering our costs. Included in these costs would, of course, be any advance commissions paid out and these sums would be essentially non-recoverable insofar as we were concerned.

In view of the above, we trust you will understand and convey to General Shin our policy with respect to payment of commissions in advance; with specific reference to General Shin's request for the payment of 1% as authorized by your letter dated May 13, 1966, our management has stipulated that the earliest possible time at which this payment can be made will be at such time as KAL's application to Exim is fully

approved. As you know, we have no control over Exim in this respect; however, we expect that, with KAL's continued cooperation, all necessary data can be submitted to Exim within the next 45 days.

You will recall that the policy outlined above was explained in detail to General Shin during his visit to Long Beach in February, and that this was done at your specific request. The agreement of our management to make this payment available at the time of Exim approval is a considerable concession to our standard policy and we trust General Shin will realize this.

My plans are to be in Seoul within the next month, possibly at the time of Mr. Gentling's visit and I will look forward to seeing you at that time.

Best personal regards.

Very truly yours,

John C. Little
International Commercial Sales

ed

cc: J. B. Edwards
H. E. Hjorth
W. O. Sherf

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

147. Letter from C. K. Lee, Joongwon and Co., to John Little, Douglas Aircraft Co., Inc., dated June 7, 1966

JOONGWON & COMPANY.		VICE PRESIDENT INT'L COMMERCIAL SALES LTD SUN 9 1966 <small>TEL 8-4333 P-7088</small>
EXPORTERS & IMPORTERS		
INTERNATIONAL P. O. BOX 1831 60, IKA, MYUNG-DONG, CHUNG-KU SEOUL, KOREA		
Mr. John C. Little International Commercial Sales Douglas Aircraft Company, Inc. Aircraft Division Long Beach, California, U.S.A. Dear Mr. Little: We wish to acknowledge with thanks receipt of your thoughtful letter Cl-11F-1120 dated June 3rd, which contents we have duly noted. Needless to say that we fully understand your situation and further we fundamentally in accord with your opinion per outlined in your above letter, never-theless prevailing circumstances at here compelling us again to appeal for your more flexible consideration and favourable arrangement for the same, which kindly understand. We called on DPM Chang on last thursday morning, who during the conversation at then, asked us whether the requested 1% payment be settled by now, for which we personally assured him that the payment will be made available very shortly, as Mr. Chang already knew that the said payment ultimately for the party. Further, we also informed to General Shin as such against his latest interrogation for the same on 1st Saturday. As you might been informed by Mr. Bogart, the Second Supplementary Budget for 1966 and the Main Budget for 1967 are expected to be implemented as of July 1966 by the Cabinet Members with specific authority of DPM Chang. In view of the above, we are in more than worries if the allotment of necessary fund for the second DC-9 into the Budgets would be hazarded merely because of the belated payment of 1% to the party through General Shin		

CONFIDENTIAL MATERIAL voluntarily submitted to the
 Subcommittee on International Organizations of the
 Committee on International Relations of the House of
 Representatives for the Subcommittee's investigation
 of Korean-American relations. Disclosure restricted
 under the rules of the Congress of the United States
 and subject to penalties as provided by law.

- cont'd -

You may interest to know that the local demand for larger type of aircraft like DC-8 visualize more closeness day by day in parallel with current severe competitions among airlines through-out countries,

Until such periodic realization of the same, which virtually very near from now, we must concentrate with every our best efforts and incessant activities required for that purpose and, in return, we in many aspects lean upon your thoughtful cooperations for those beyond our reach.

Earnestly believing that you will absorb of the above into your best consideration and will provide for feasible arrangement of 1% payment at an earliest possible date, beg to await your soonest response in the meantime,

With our best personal regards,

Sincerely yours,

JOONGWON & COMPANY, LTD.

C. K. LEE

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

148. Telex from J. S. Farra to John Little, dated June 23, 1966

TO J C LITTLE, CI-11

FM J S FARRA, TOKYO

CC W O SHERF, CI-11; H E HJORTH, CI-11; SEND PLS/

66-ND-265, 6-24-66. SPECIAL KOREAN MATERIAL DELIVERED THIS

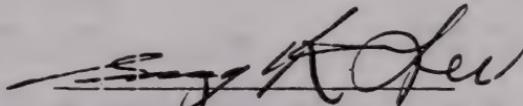
MORNING. REGARDS

VICE PRESIDENT INTL COMMERCIAL SALES				
JUN 23 1966				
TO	ACTING	INFO	CC	FILE
HJORTH				
BAIRD				
BRANT				
BRUSH				
KELST				
LENDER				
LITTLE				
MCGARR				
PRESIDENT				
SAY				
RINGER				
TAPPATA				
WALLACE				
WHINNELL				

CONFIDENTIAL MATERIAL voluntarily submitted to the Subcommittee on International Organizations of the Committee on International Relations of the House of Representatives for the Subcommittee's investigation of Korean-American relations. Disclosure restricted under the rules of the Congress of the United States and subject to penalties as provided by law.

149. Sang Ek Lee acknowledgment of receipt of funds from Douglas Aircraft Co., Inc., dated June 24, 1966

This will acknowledge receipt of \$35,594.03 from
the Douglas Aircraft Company, Inc. on 24th JUNE.
Date



Mr. Sang Ek Lee

CONFIDENTIAL MATERIAL voluntarily submitted to the
Subcommittee on International Organizations of the
Committee on International Relations of the House of
Representatives for the Subcommittee's investigation
of Korean-American relations. Disclosure restricted
under the rules of the Congress of the United States
and subject to penalties as provided by law.

150. Colt Industries interoffice memorandum from P. A. Benke to K. A. Wulff,
dated March 30, 1971



Interoffice

CONFIDENTIAL

<i>To:</i> K.A. Wulff	<i>Subject:</i> <u>KOREA</u>
<i>From:</i> P.A. Benke	<i>Date:</i> March 30, 1971

The amount of this check request dated March 30, 1971, represents a contribution to the Presidential election in the Republic of Korea. We consider it of vital importance to the success of our present contract and to the exploitation of other business possibilities for all of Colt Industries' subsidiaries and divisions in the future that the present government continue.

The check should be a regular New York bank draft payable to "Kim Un Yong". Mr. Kim is the Assistant Director of The Presidential Protective Force.

151. Colt Industries interoffice memorandum from P. A. Benke to K. A. Wulff,
dated March 30, 1971



CONFIDENTIAL

Interoffice

To	K. A. Wulff	From	P. A. Benke
Location		Location	
Subject	<u>KOREA</u>	Date	March 30, 1971

The amount of this check request dated March 30, 1971, represents a contribution to the Presidential election in the Republic of Korea. We consider it vital to the success of our contract that the South Korean government remain stable and that during the early and most critical phase of the contract, we have the opportunity to work with those individuals in the administration who were a party to the contract.

The check should be a regular New York bank draft payable to "Kim Un Yong". Mr. Kim is the Assistant Director of The Presidential Protective Force.

152. Colt Industries interoffice memorandum from K. A. Wulff to the files,
dated April 5, 1971



Interoffice

To Files From K. A. Wulff
Location Location New York
Subject Korea Date April 5, 1971

The attached check was held up pending advice from W. D. Ford relative to the legality of the payment. Ford informed me today that he had been given an opinion from outside counsel that a political contribution such as the one proposed was illegal in Korea. Also he was advised that any payment of this type could jeopardize the contract with Korea which is backed by the U. S. Government. Accordingly, the payment will not be made, and the check is being deposited in our account at the Chemical Bank today.

A handwritten signature in black ink, appearing to read "K. A. Wulff".

mp
Att.

153. Sample cover letter and questionnaires (only one version was sent to a corporation) used by the Subcommittee on International Organizations

INVESTIGATION OF
KOREAN-AMERICAN RELATIONS

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS

DONALD M. FRASER, MINN., CHAIRMAN
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ROBERT S. BOETTCHER
SUBCOMMITTEE STAFF DIRECTOR

**Congress of the United States
Committee on International Relations**

**House of Representatives
Washington, D.C. 20515**

The Subcommittee on International Organizations of the Committee on International Relations is investigating the conduct of relations between the United States and the Republic of Korea pursuant to a special authorization. The Subcommittee's mandate encompasses all aspects of the political, military, intelligence, economic, educational and informational relationships between the two countries. As such, this Subcommittee has, as one of its areas of inquiry, the question of American investment in and trade with the Republic of Korea.

In order for the Subcommittee to do its work effectively, data on American investment in the Republic of Korea and relationships between the Government of the Republic of Korea and American businesses are currently being compiled. As an American corporation with experience with the Korean economy, your cooperation is being sought in this matter.

We would appreciate your completion of the enclosed questionnaire. Your responses should be forwarded to the Subcommittee (Room 3515, House Annex #2, Washington, D.C. 20515) within thirty (30) days from receipt thereof. In all likelihood there will be no further need for you to participate in our study if you return your answers within the allotted time.

We have enclosed a copy of our rules for your information. We would particularly like to direct your attention therein to Rule 6 Paragraph 6.5 regarding the confidentiality of the information provided to the Subcommittee.

If you have any questions concerning this request, please contact Steven Blush or Kathleen Kadane of the Subcommittee staff at (202)225-7722.

With best wishes, I am

Sincerely yours,

Donald M. Fraser, Chairman
Subcommittee on International
Organizations

Enclosure

Committee on International Relations**INVESTIGATION OF KOREAN-AMERICAN RELATIONS**

BY THE

SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS

The attached questionnaire is being directed to you by the Subcommittee on International Organizations of the United States House of Representatives. The Subcommittee requests that your responses be returned within thirty (30) days from receipt.

TIME-FRAME

For each question in the attached questionnaire, your answers should cover the period January 1, 1966 to January 1, 1977.

DEFINITIONS

As used in the questionnaire, the following terms have the following meanings:

Corporation -- The term "Corporation", especially when it appears as "the Corporation", means (company name) and any subsidiary or affiliate doing business in or with the Republic of Korea, and any Korean joint-venture or co-production partner, governmental or private.

Subsidiary -- The term "subsidiary" means any company which (company name) controls by virtue of (company name)'s ownership of over 50% of the outstanding stock of the subsidiary.

Affiliate -- The term "affiliate" means any company which (company name) controls but does not own over 50% of the stock.

Korean joint-venture partner -- The term "Korean joint-venture partner" means any Korean company, governmental or private, in which (company name) has invested foreign exchange (in relation to the Korean won), capital goods, technology, or any other kind of equity, including technical assistance.

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Korean co-production partner -- The term "Korean co-production partner" means any Korean company, governmental or private, with which (company name) has entered into a manufacturing licensing agreement approved by the U.S. Department of State.

Questions concerning activities of "the Corporation" are designed to elicit responses concerning the activities of (company name), either through (company name) or through any subsidiary, affiliate, Korean joint-venture or co-production partner. Each answer should specify whether the activity was conducted by (company name), a subsidiary, an affiliate, or a Korean joint-venture or co-production partner.

Identify/Name/List -- The terms "identify", "name", or "list" shall mean (i) with respect to a person, to state his or her name, address, business affiliation and position; (ii) with respect to a document, to state the type of document (eg. letter, memorandum, statement, contract, etc.), its date, author, addressee(s), title and file or other identifying number or symbol, and to identify each person currently having custody or control of such document; (iii) with respect to an organization or entity, its name, address, and executive officers during the period of its association with the Corporation.

Political contribution -- The term "political contribution" shall mean any use of the Corporation's funds or other assets within the territory of the Republic of Korea or the United States of America to:

- (1) influence the judgment of a Korean or American public official, concerning a political issue; or
- (2) influence the judgment of the Korean or American electorate either as to political issues in a political campaign or as between the candidates; or
- (3) assure access to Korean or American public officials by the Corporation's representatives; or
- (4) benefit any particular candidate for Korean or American public office, any Korean or American public official, or any Korean or American political party.

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1. Please list the name of any Korean joint-venture partner, Korean co-production partner, or any subsidiaries or affiliates of the Corporation doing business in or with the Republic of Korea. As to each such entity, please state:
 - (a) the date of formation, corporate investment, or entry into the Korean market;
 - (b) the principal officers;
 - (c) a brief description of the duties of those listed in (b) above;
 - (d) its relationship to the Corporation, including type and extent of corporate equity invested in it.

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2. For each entity listed in 1 above, please provide detailed information on the following matters relating to their formation or entry into the Korean market:

- (a) identify any contracts, licenses, or agreements with the Korean Government or any of its subdivisions or officials entered into by the Corporation pursuant to the establishment of said entities, or to the Corporation's investment in them, or to the Corporation's entry into the Korean market;
- (b) identify the conditions or terms related to (a) above, or any other conditions or terms entered into by the Corporation and the Korean Government or any of its subdivisions or officials;
- (c) name the persons or entities known to have been acting on behalf of the Corporation in negotiations with the Korean Government or any of its subdivisions or officials pursuant to the establishment of said entities, or to the Corporation's investment in them, or to the Corporation's entry into the Korean market.

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3. If any of the entities listed in 1 above are no longer doing business in or with the Republic of Korea, please state:

- (a) the date of termination;
- (b) the reasons for termination.

4. Please list all consultants, agents, representatives, and subagents thereof, who were employed by the Corporation for business in or with the Republic of Korea.

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5. For each person or entity listed in 4 above, please provide detailed information on the following matters related to the nature and extent of their engagement by the Corporation:
- (a) name the officers and employees of the Corporation supervising their activities;
 - (b) name the individuals in the Corporation to whom the person or entity reported and the manner and frequency of said reports;
 - (c) name any other officers of the Corporation from whom the person or entity received instructions in pursuit or furtherance of corporate business;
 - (d) attach a copy of any contracts or agreements, and amendments thereto, entered into between the Corporation and said persons or entities;
 - (e) Provide an analysis of all payments (include accruals) made to or on behalf of the person or entity by the Corporation. As to each amount, describe the nature of the duty or service covered thereby and the form of payment.

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6. As to each person or entity listed in 4 above, answer the following:

- (a) Were any funds of the Corporation disbursed to the consultant, agent, representative, or sub-agent thereof, returned by him, directly or indirectly, to the Corporation or any of its officers, employees or representatives? In each case where this occurred, an explanation of the circumstances and amounts is requested.
- (b) Did the consultant, agent, representative, or sub-agent thereof, use or permit the use of any corporate funds at the direction or with the knowledge of any corporate officers or employees for political contributions in either Korea or the United States? If so, an explanation of the circumstances and amounts is requested.
- (c) Did the consultant, agent, representative, or sub-agent thereof, use or permit the use of corporate funds at the direction of Korean Government officials, or any third parties known to be acting on their behalf, for political contributions in either Korea or the United States? If so, an explanation of the circumstances and amounts is requested.

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7. Were corporate funds, property, services or any other thing of value donated, loaned, or made available, directly or indirectly, to or for the use or benefit of, or for the purpose of opposing, the Korean Government or any of its subdivisions, or any Korean political party, candidate or committee? If so, an explanation of the circumstances and amounts or thing of value donated, loaned, or made available is requested.

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8. Has the Corporation ever increased any sales prices, tenders, fees, charges or commissions at the direction of any of those listed in 4 above, any Korean Government subdivision or official, any Korean political party or party official, or any third party known to be acting on their behalf? If so, please state:
- (a) the product or service subject to increase;
 - (b) the Corporation's initial price, fee, charge or commission payment;
 - (c) the final price, fee, charge or commission payment;
 - (d) when and at whose direction the increase was effected.

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9. Were any political contributions, fees, gifts, emoluments or things of value made or provided, directly or indirectly, to avoid or diminish the likelihood of any anticipated, suspected or threatened action on the part of the Korean Government or any of its subdivisions or officials? If so, please state as to each such contribution, fee, gift, emolument or thing of value:
- (a) its description or amount;
(b) the date made or provided;
(c) the official(s) and intermediaries involved;
(d) the action anticipated, suspected or threatened.

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10. Were any corporate officers or employees aware at the time the Corporation was making the contributions described in 7-9 above that any other corporations had made or were making similar contributions? If so, please state:

- (a) the name of each corporation that had made or was making such contributions;
- (b) when an official or employee of the Corporation became aware each corporation listed in (a) above was making such contributions;
- (c) how the official or employee of the Corporation became aware these other corporations were making such contributions.

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11. Has the Corporation or any third party known to be acting on its behalf maintained a domestic or foreign numbered account from which disbursements were made, directly or indirectly, to any of those listed in 4 above, to any Korean Government subdivision or official, or to any Korean political party or party official? If so, please state:
- (a) the location of such accounts;
 - (b) the dates of said disbursements;
 - (c) the names of those with signatory or other authority or control over such disbursements;
 - (d) the immediate and, to the extent known or believed, intermediate and ultimate recipients of said disbursements.

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12. Has the Corporation or any third party known to be acting on its behalf maintained a bank account, or repository of funds of any kind, which was not reflected on the corporate books, records, balance sheets or financial statements, and from which disbursements were made, directly or indirectly, to any of those listed in 4 above, to any Korean Government subdivision or official, or to any Korean political party or party official? If so, please state:

- (a) the location of such accounts or repositories;
- (b) the dates of said disbursements;
- (c) the names of those with signatory or other authority or control over such disbursements;
- (d) the immediate and, to the extent known or believed, intermediate and ultimate recipients of said disbursements.

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13. Were any of the following items relating to the Corporation's accounting treatment of contributions described in 7-9 above and of payments described in 5-6 above ever misstated? If so, please identify and briefly describe any item misstated.
- (a) vouchers or receipts;
 - (b) expense accounts;
 - (c) employee salaries or bonuses;
 - (d) consulting fees;
 - (e) public relations fees;
 - (f) legal fees;
 - (g) commission or sales fees;
 - (h) loans or accounts receivable;
 - (i) insurance payments, premiums or commissions;
 - (j) miscellaneous expenses.

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14. Were fictitious projects or enterprises ever set up to hide or facilitate disbursements to any of those listed in 4 above, to any Korean Government subdivision or official, or to any Korean political party or party official? If so, identify and explain any such project or enterprise.

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15. Were any accounts, journals, diaries or other records kept to record the collection and distribution of disbursements to any of those listed in 4 above, to any Korean Government subdivision or official, or to any Korean political party or party official? If so, please identify each such account, journal, diary or other record.

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16. Did the Corporation, through its employees or officials or any third party acting on its behalf, ever discuss the advantages or disadvantages of its engaging any of those listed in 4 above with any official of the Korean or United States governments, any official of the American Chamber of Commerce in Korea, or any official or employee of another corporation doing business in or with the Republic of Korea? If so, please state:
- (a) the parties to each discussion;
 - (b) the dates of each such discussion;
 - (c) a brief summary of the substance of the discussions;
 - (d) the identity of any documents describing any of these discussions.

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17. Did the Corporation, through its employees or officials or any third party known to be acting on its behalf, ever discuss the advantages or disadvantages of its making political contributions in Korea with any official of the Korean or United States governments, any official of the American Chamber of Commerce, or any official or employee of another corporation doing business in or with the Republic of Korea? If so, please state:

- (a) the parties to each discussion;
- (b) the dates of each such discussion;
- (c) a brief summary of the substance of the discussions;
- (d) the identity of any documents describing any of these discussions.

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18. As to each cash or bearer check transaction between the Corporation and any of those listed in 4 above, any Korean Government subdivision or official, or any Korean political party or party official, please state:
- (a) the amount of the transaction;
 - (b) the date of the transaction;
 - (c) the identity of each individual who approved the transaction;
 - (d) the corporate account charged;
 - (e) the item charged;
 - (f) the reason or reasons for the transaction;
 - (g) the recipient;
 - (h) any benefit the Corporation realized as a result of the transaction;
 - (i) the identity of any records separate from the Corporation's books of account which were kept to record the transaction;
 - (j) the identity of each employee of the Corporation who participated in the transaction and the nature of each such employee's participation;
 - (k) whether the transaction was in dollars or won;
 - (l) whether the transaction occurred in the Republic of Korea or the United States.

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19. Has the Corporation, through its officials, employees or any third party known to be acting on its behalf, ever been asked to make payments, contributions or gifts, or to increase any sales prices, tenders, fees, charges or commissions, at the direction of any of those listed in 4 above, any Korean Government subdivision or official, any Korean political party or party official, or anyone known to be acting on their behalf, but declined to do so? If so, an explanation of the circumstances is requested.

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1. Please list the name of any Korean joint-venture partner, co-production partner, or any subsidiaries or affiliates of the Corporation doing business in or with the Republic of Korea. As to each such entity, please state:
 - (a) the date of formation, corporate investment, or entry into the Korean market;
 - (b) the principal officers;
 - (c) a brief description of the duties of those listed in (b) above;
 - (d) its relationship to the Corporation, including type and extent of corporate equity invested in it.

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2. For each entity listed in 1 above, please provide detailed information on the following matters relating to their formation or entry into the Korean market:
- (a) identify any contracts, licenses, or agreements with the Korean Government or any of its subdivisions or officials pursuant to the establishment of said entities, or to the Corporation's investment in them, or to the Corporation's entry into the Korean market;
 - (b) identify the conditions or terms related to (a) above, or any other conditions or terms entered into by the Corporation and the Korean Government or any of its subdivisions or officials;
 - (c) name the persons or entities known to be acting on behalf of the Corporation in negotiations with the Korean Government or any of its subdivisions pursuant to the establishment of said entities, or to the Corporation's investment in them, or to the Corporation's entry into the Korean market.

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3. If any of the entities listed in 1 above are no longer doing business in or with the Republic of Korea, please state:
 - (a) the date of the termination;
 - (b) the reasons for the termination.

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4. Please list all consultants, agents, representatives, and their subagents who were employed by the Corporation for business in or with the Republic of Korea.

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5. For each person or entity listed in 4 above, please provide detailed information on the following matters related to the nature and extent of their engagement by the Corporation:

- (a) name the officers and employees of the Corporation supervising their activities;
- (b) name the individuals in the Corporation to whom the person or entity reported and the manner and frequency of said reports;
- (c) name any other officers of the Corporation from whom the person or entity received instructions in pursuit or furtherance of corporate business;
- (d) attach a copy of any contracts or agreements, and amendments thereto, entered into between the Corporation and said persons or entities.

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6. As to each person or entity listed in 4 above, answer the following:

- (a) Were any funds of the Corporation disbursed to the consultant, agent, or representative, or subagent thereof, returned by him to or for the benefit of the Corporation or any of its officers, employees, or representatives?
- (b) Did the consultant, agent, representative, or subagent thereof, use or permit the use of any corporate funds at the direction or with the knowledge of any corporate officers or employees for political contributions in either Korea or the United States?
- (c) Did the consultant, agent, representative, or subagent thereof, use or permit the use of any corporate funds at the direction of Korean Government officials, directly or indirectly, for political contributions in either Korea or the United States?

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7. Were corporate funds, property, services, or any other thing of value donated, loaned, or made available, directly or indirectly, to or for the use or benefit of, or for the purpose of opposing, the Korean Government or any of its subdivisions, or any Korean political party, candidate, or committee?

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8. Has the corporation ever increased any sales prices, tenders, fees, charges, or commissions at the direction of any of those listed in 4 above, any Korean Government subdivision or official, or any third party known to be acting on behalf of such individuals?

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9. Were any political contributions, fees, gifts, emoluments, or things of value ever made or provided, directly or indirectly, by the Corporation to avoid or diminish the likelihood of any anticipated, suspected, or threatened action on the part of the Korean Government or any of its subdivisions or employees?

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10. Did the Corporation or anyone known to be acting on its behalf ever discuss the advantages or disadvantages of the Corporation's engagement of any of those listed in 4 above with any official of the Korean or United States Governments, any official of the American Chamber of Commerce in Korea, or any official or employee of any other U.S. Corporation doing business in or with the Republic of Korea?

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11. Did the Corporation or anyone known to be acting on its behalf ever discuss the advantages or disadvantages of the Corporation's making political contributions in Korea with any official of the Korean or United States Governments, any official of the American Chamber of Commerce in Korea, or any official or employee of any other U.S. Corporation doing business in or with the Republic of Korea?

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12. Has the Corporation ever been asked to make payments, contributions, or gifts, or to increase any sales prices, tenders, fees, charges, or commissions, at the direction of any of those listed in 4 above, any Korean Government subdivision or official, or any Korean political party or party official, but declined to do so?

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13. Has the Corporation ever entered into any cash or bearer check transactions with any of those listed in 4 above, any Korean Government subdivision or official, or any Korean political party or party official?

154. Records concerning S. K. Kim, received by the subcommittee May 11, 1978

BARRETT SMITH SCHAPIRO SIMON & ARMSTRONG

26 BROADWAY

NEW YORK, N. Y. 10004

OREN ROOT
COUNSEL(212) 422-8180 CABLE: ROOTBAR
INTERNATIONAL TELEX: 66420

ROBERT F. AMBROSE
ROBERT F. ARMSTRONG
JOHN J. BARRETT
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GERALD A. NOVACK
LEONARD OGREN II
DONALD S. RICE
MARTIN F. RICHMAN
CARL F. ROGGE, JR.
DONALD SCHAPIRO
EDWARD R. SCHROEDER
DAVID SIMON
W. MASON SMITH
ARTHUR D. SPORN

May 11, 1978

Ms. Kathleen Kadane
 Congress of the United States
 Subcommittee on International
 Organizations
 House of Representatives
 3515 House Annex No. 2
 Washington, D.C. 20515

Re: Korea Exchange Bank, New York Agency
Records concerning S.K. Kim - Subpoena

Dear Ms. Kadane:

In accordance with our telephone conversations, I am enclosing herewith the Korea Exchange Bank, New York Branch (the "Bank") records called for by your subpoena, as well as an index of all documents furnished.

We have been advised that none of the Bank personnel involved in the transactions evidenced by these records is now in New York, all of them having been transferred out of the New York Branch as part of the Bank's routine program of rotating assignments. Thus, none of the Bank employees in New York is able to provide you with any further information as to the specifics of these particular transactions.

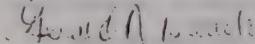
As I previously told you, this response to your subpoena is based on an examination by Bank personnel of the Bank's vouchers reflecting the Bank's transactions for the period July 1972 through March 1975. These vouchers then led to the discovery of the documents

which we are today furnishing to you. The Bank has not, however, conducted a search of its vouchers for the balance of the period covered by your subpoena. Mr. S.J. Chung, who was at the Bank during this period, has advised us that, although no formal search has been made he believes that there were no other Bank transfers called for by the subpoena during this period. Unless we hear from you otherwise, we trust that no additional record search by the Bank is necessary in order to comply with your subpoena.

If you have any further questions, please call me.

As you know, we have discussed the Bank's request for confidentiality a number of times, and I have frequently requested that the contents and source of the enclosed records remain confidential. While I understand that no commitments can at this time be made by you, you have told me that subpoenaed materials are not made public except upon Committee vote. With this in mind, I once again repeat our request for confidentiality.

Very truly yours,



Gerald A. Novack

enclosures

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Exhibit 1-b - May 2, 1973 cable from Korea Exchange Bank, New York Agency to Korea Exchange Bank, Tokyo, advising of credit of \$75,000 to Korea Exchange Bank, Tokyo, account at Korea Exchange Bank, New York Agency, "in favor of S.K. Kim".

Exhibit 1-c - May 2, 1973 Korea Exchange Bank, New York Agency voucher reflecting transactions evidenced by Exhibits 1-a and 1-b above.

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Exhibit 5-b - January 30, 1973 Marine Midland Bank deposit slip reflecting deposits referred to in Exhibit 5-a above.

Exhibit 5-c - Korea Exchange Bank, New York Agency statement of account with Marine Midland Bank reflecting January 30, 1973 deposit of \$1,001,651.97 referred to in Exhibit 5-b and January 31, 1973 debit of \$1,000,000.

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Marine Midland Bank reflecting transfer of \$1,000,000 from
Korea Exchange Bank, New York Agency's account at
Marine Midland Bank to Chase Manhattan Bank, N.A., Tokyo,
for credit of Korea Exchange Bank, Tokyo.

EXHIBIT 1-a

005021

THE MITSUI BANK, LTD.

NEW YORK AGENCY

1 CHASE MANHATTAN PLAZA, NEW YORK, N.Y. 10005

OUR REF. NO. 92-9588

NEW YORK May 2, 1973 \$ 75,000.00

MAIL
TO →

Mitsui Bank, New York

AS PER INSTRUCTIONS DATED

5/2/73

Mitsui & Co. (USA), Inc.
New York

FROM

THEIR REF. NO.

FOR ACCOUNT OF

Mr. G. K. Kise

Please execute today

T/T # 2495/2

We enclose herewith our check please sign the attached copy and return.

M. ASANO

EXHIBIT 1-c

KOREA EXCHANGE BANK
NEW YORK AGENCY

761

[]

f/s

Inter office - Tokyo

T # 249.

from: Mr. S. K. Kim
ord. Name Co. Inc. D. J.
(Confirmation of our Tokyo's cable)

up 75.00

Prepared Entered Checked Approved

DUE FROM BANKS ON DEMAND

[ACIO]

Kw

EXHIBIT 2-a

762

THE BANK OF TOKYO, LTD.

NEW YORK AGENCY
NEW YORK, N. Y.

No. 126582

May 2, 1973

CASHIER'S ORDER

WE ATTACH OUR CASHIER'S ORDER

TO

KOTRA EXCHANGE BANK N.Y. AGENT
120. BROADWAY
NEW YORK, N.Y.

BY ORDER OF MARYLAND AMERICA CORP.
1100736863

REFERENCE:

CASH

FOR ACCOUNT OF:

M.S.L. MM.

L. Hooce
6924

YOURS VERY TRULY,

T/T# 299

We are returning your check for \$75,000.-
Please send us your detailed instruction to
show we should pay.

MR. YOUNG KIM
MANAGER-MONEY TRANSFER
DEPT.

EXHIBIT 2-C

764

To - Korea Exchange Bank N.Y. Agency
140 Broadway
N.Y. N.Y. Attn: Mr. Young Kim
MANAGER - MONEY TRANSFER DEPT.
WITH THE COMPLIMENTS

OF
THE BANK OF TOKYO, LIMITED
THE BANK OF TOKYO, LIMITED
NEW YORK AGENCY

100 BROADWAY
NEW YORK 5, N.Y.

EXHIBIT 2-d

RCA Global Communications

TRANSMISSION NUMBER 1 APR 22, 1972

TO R/C
SOCIETYRECENTS COMMITTED VOL 2 ACCOUNTS RECEIVED, IN FAVOR OF
SOCIETY ORDER AGAINST ADOBE INC.

Lee

RCA POSN 71

RCA Global Communications

EXHIBIT 2-e

KOREA EXCHANGE BANK
NEW YORK AGENCY

CREDIT

May 22.

Branch Office - Tokyo

TC # 299.

To Mr. S. K. Kim
ord. Marconi America Corp.US \$5.000 -
Due from Banks on Demand
Prepared Entered Checked Approved
CREDIT ✓ ✓ ✓ ✓OFFSET
RM AC-102
AC 100

EXHIBIT 3-a

767

THE BANK OF TOKYO, LTD.

NEW YORK AGENCY
NEW YORK, N.Y.

No. 07255 Date May 4, 1973 Amount \$75,000.00

WE ATTACH OUR CASHIER'S ORDER

Transferred to our account
of Mitsubishi International Corp.

FOR ACCOUNT OF:

TO MITSUBISHI BANK
140 BROADWAY
NEW YORK, N.Y.

BY ORDER OF: MITSUBISHI INTERNATIONAL CORP.
110079368566

REFERENCE:
CASH

YOURS VERY TRULY,

IR.
CASH

CASHIER'S ORDER

EXHIBIT 3-b

RCA POSN 30
093533Z MAY 11 REC MSG

RCA POSN 30
093533Z MAY 11 REC MSG

REC'D
RCA

RECEIVED
SPECIAL AGENT
FEDERAL BUREAU OF INVESTIGATION
ATLANTA OFFICE

Vee

RCA POSN 30
093533Z MAY 11 REC MSG

KOREA EXCHANGE BANK
NEW YORK AGENCY

5/11

Inter Office-Tokyo

1 MAY 11, 1973

266 Rev. S.K. Kim
Ord. Mitsubishi International Corp.

U\$75,000.-

U\$75,000.-

Due From Banks on Demand

Prepared Entered Checked Approved
[Signature]

EXHIBIT 4-a



NISSHO-IWAI AMERICAN CORPORATION
90 PINE STREET • NEW YORK, N.Y. 10005

(212) 243-7840

KINDLY ADDRESS YOUR REPLY OR
CORRESPONDENCE TO ATTENTION
OF SPECIFIC INDIVIDUAL IN THIS
OFFICE.

PAGE ONE OF
NISHIHO-IWAI NEWSLETTER
FEBRUARY 1973
177 E. 65TH STREET
NEW YORK, NY 10021
TELE 6-1100
TWX 226-1020

OFFICES
SAN FRANCISCO
LOS ANGELES
PORTLAND
SEATTLE
CHICAGO
MINNEAPOLIS
DETROIT
ST. LOUIS
ANCHORAGE

HOME OFFICE
NISSHO-IWAI CO., LTD.
TOKYO, JAPAN

R374 2430

Date: May 4, 1973

Korea Exchange Bank
140 Broadway
New York, New York

Attn: Paying and Receiving Division

Gentlemen:

Engaged please find our check No. 23854 in the amount of \$ 75,000.00 payable to your order.

You are kindly requested to CREDIT the above said amount to the account of the following:

Mr. S. K. Kim

Please acknowledge receipt by signing and returning to us the original copy of this letter.

Trusting the above is in good order we remain

Yours truly yours,
NISSHO-IWAI AMERICAN CORPORATION

Robert M. Seaman
Assistant Manager
Finance Dept.

Si:lk
Enc;
cc: Fuc Dept Rego Section

T/T # 263

t/y

Global Com

Global Com

20030520 000000 MAY 1997

CELESTE
TO NYC75-43 1001 TEL YONK 1004 75,000.00 FAVOR OF S & P
ABC 1183+1-1001 1002 1003 1004 1005

NY 4 100

MAGP

P.
J.RCA POSH OSIR
20030520 000000 MAY 1997

KOREA EXCHANGE BANK
NEW YORK AGENCY

5/4

Inter office - Tokio.

53

for. SK. KIM
or d. MISS HO - Iwai American Corp

US 75.000

Prepared

Checked Approved

✓

Prepared

Checked Approved

✓

Prepared

Checked Approved

✓

EXHIBIT 5-a

STATEMENT OF OUR ACCOUNT HELD WITH

NAME OF A/C

DUE FROM BANK ON DEMAND

MARMID BANK

DESCRIPTION	CHECK #	DEPOSIT	DRAWING
B/F			
BA212ES0195 NYE-5824		3012.00	
CHECK#1741		1000.00	
CHECK#5240		10000.00	
CHE CK#2829		1500.00	
CHECK#2881		3000.00	
HS-73-344 NADAEMUN BR.		4515.00	
HS-73-356 357 NAMDAEMUN BR.		14927.04	
NAMDAEMUN BR. HSV73-352 353		4525.60	
HS-73-354 NAMDAEMUN BR.		78074.60	
MASAN BR. HSV73-355		14728.00	
SEOSOMUN BR. HSV73-358		16000.00	
HS-73-349 TAEQU BR.		6545.00	
NAMDAEMUN BR. HSV73-340 341		6994.00	
HS-73-345 346 347 MASAN BR.		36595.00	
NAMDAEMUN BR. HSV73-342 343		78046.00	
CHOONGMURO BR. HSV73-348		7850.30	
SEOSOMUN BR. HSV73-350		21900.00	
CHECK#34557 3250 2041		7189.90	
CHE CK#376		3000.00	
IDC-0486 CHECK#4928		17025.00	
CHECK #5014 5016		9330.00	
CHECK#5018		3.81	
IDC-0548 CHECK#5017		3120.00	
CHECK#040880		11567.00	
CHECK#1381 LOAN#797		25.00	
CHECK#148		100.00	
CHECK#2152		7500.00	
CHECK#1296		14720.00	
CHECK#1103 LOAN#550		2999.72	
CHECK#31181		250000.00	
CHECK#001517 (MITSUI BANK)		250000.00	
BK.OF TOKYO BCHECK#111135		250000.00	
NISSHOLWAI CHECK#17913		250000.00	
C M B CHECK#274659		9661.89	
T/T #64		64.00	
MASAN BR. M/T#149		5050	
M/T#146		298.26	
M/T#147		30.50	
M/T#148 & CHARGE CASH IN ADVANCE		100.50	
		10000.00	
			1/31/73

EXHIBIT 5-b

DEPOSITOR ACCOUNT NO.	DATE	AMOUNT	19
		DOLLARS	CENTS
CASH			
1	1651	97	
2	250.000	-	
3	250.000	-	
4	250.000	-	
5	250.000	-	
6			
7			
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KOREA EXCHANGE BANK
NEW YORK AGENCY

四

TOTAL



MAINE MIDLAND GRACE

卷之三

000-02817-7# 50100165697#

EXHIBIT 5-C



MARINE MIDLAND BANK

-NEW YORK

STATEMENT OF ACCOUNT WITH

INTERNATIONAL BANKING DEPARTMENT

DATE OF LAST STATEMENT	THIS IS STATEMENT PERIOD ENDING	ACCOUNT NUMBER			
01-29-73	01-31-73	000	02817	7	49

69

KOREA EXCHANGE BANK
NEW YORK AGENCY
140 BROADWAY
NY NY

10015

Please examine at once. If no error is reported within fourteen days of mailing or delivery, the account will be considered correct. All items are credited subject to final payment.

Should you change your address, be sure to notify your branch office of your new address.

Please refer to the reverse side of this statement for.

1 An explanation of the codes shown below

TOTAL MONTHLY CHARGES

TOTAL MONTHLY CHARGES ON THIS PAGE	ENDING BALANCE
---------------------------------------	----------------

BALANCE FORWARD		DEBITS		CREDITS		TOTAL MONTHLY CHARGES ON THIS PAGE		ENDING BALANCE		
DATE	CHCKS	LISTED	IN	ORDER	PAID	LEFT	TO	RIGHT	DEPOSITS	NEW BALANCE
01-30-73	10050RT	42665117LM							130000	251426416
									233662	
									238407	
									1025000	
									1350000	
									2000000	
									3057296	
									6330447	
									6589123	
									31696700	
									43902679	
									1000168197	
									130000	
									1000000	
									1187000	
									8100000	
									13660	
									3631	
									34276	
									289072	
									450000	
									718490	
									742500	
									966109	
									1404000	
									3674500	
									3502261	
									33433554	
									71245	
									20000	
									12078000	
									1400000	
									251426414	

EXHIBIT 5-d

KOREA EXCHANGE BANK
NEW YORK AGENCY

[REDACTED]

1/31/73

Due From Banks on Demand $\frac{1}{c}$

Fiji Bank Check No. 31181	\$ 250.000
First Bank Check no 1510	\$ 250.000
Bankey Takay Check no 111135	\$ 250.000
Allerton Check no 17913	\$ 250.000

Prepared	Entered	Cheched	Approved
SET	101	AC 110	<u>L</u>

MARINE MIDLAND BANK-NEW YORK

DEBIT

155. Statement by the President, dated September 26, 1978

EMBARGOED UNTIL AFTER BRIEFING SEPTEMBER 26, 1978
Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

It is important for this Nation's economic vitality that both the private sector and the Federal government place a higher priority on exports. I am today announcing a series of measures that evidences my Administration's strong commitment to do so.

The large trade deficits the United States has experienced in recent years have weakened the value of the dollar, intensified inflationary pressures in our own economy, and heightened instability in the world economy. These trade deficits have been caused by a number of factors. A major cause has been our excessive reliance on imported oil. We can reduce that reliance through the passage of sound energy legislation this year. Another factor is that the United States economy has been growing at a stronger pace in recent years than the economies of our major trading partners. That has enabled us to purchase relatively more foreign goods while our trading partners have not been able to buy as much of our exports. We will begin to correct this imbalance as our trading partners meet the commitments to economic expansion they made at the Bonn Summit.

The relatively slow growth of American exports has also been an important factor in our trade deficit problem. Over the past 20 years, our exports have grown at only half the rate of other industrial nations and the United States has been losing its share of world markets. Until now, both business and government have accorded exports a relatively low priority. These priorities must be changed.

The measures I am announcing today consist of actions this Administration has taken and will take to:

- (1) provide increased direct assistance to United States exporters;
- (2) reduce domestic barriers to exports; and
- (3) reduce foreign barriers to our exports and secure a fairer international trading system for all exporters.

These actions are in furtherance of the commitment I made at the Bonn Summit to an improved United States export performance.

DIRECT ASSISTANCE TO UNITED STATES EXPORTERS

1. Export-Import Bank. I have consistently supported a more effective and aggressive Export-Import Bank. During the past two years, my Administration has increased Eximbank's loan authorization fivefold -- from \$700 million in FY 1977 to \$3.6 billion for FY 1979. I intend to ask Congress for

more

an additional \$500 million in FY 1980, bringing Eximbank's total loan authorization to \$4.1 billion. These authorizations will provide the Bank with the funds necessary to improve its competitiveness, in a manner consistent with our international obligations, through increased flexibility in the areas of interest rates, length of loans, and the percentage of a transaction it can finance. The Bank is also moving to simplify its fee schedules and to make its programs more accessible to smaller exporters and to agricultural exporters.

2. SBA Loans to Small Exporters. The Small Business Administration will channel up to \$100 million of its current authorization for loan guarantees to small business exporters to provide seed money for their entry into foreign markets. Small exporting firms meeting SBA's qualifications will be eligible for loan guarantees totalling up to \$500,000 to meet needs for expanded production capacity and to ease cash flow problems involving overseas sales or initial marketing expenses.

3. Export Development Programs. I am directing the Office of Management and Budget to allocate an additional \$20 million in annual resources for export development programs of the Departments of Commerce and State to assist United States firms, particularly small and medium-sized businesses, in marketing abroad through:

- a computerized information system to provide exporters with prompt access to international marketing opportunities abroad and to expose American products to foreign buyers;
- risk sharing programs to help associations and small companies meet initial export marketing costs; and
- targeted assistance to firms and industries with high export potential and intensified short-term export campaigns in promising markets.

4. Agricultural Exports. Agricultural exports are a vital component of the U.S. trade balance. Over the past 10 years, the volume of U.S. farm exports has doubled and the dollar value has nearly quadrupled. Trade in agricultural products will contribute a net surplus of almost \$13 billion in fiscal year 1978. This strong performance is due in part to this Administration's multifaceted agricultural export policy, which will be strengthened and which includes:

- An increase of almost \$1 billion (up from \$750 million in FY 1977 to \$1.7 billion in FY 1978) in the level of short-term export credits.
- An increase of almost 20% in the level of funding support for a highly successful program of cooperation with over 60 agricultural commodity associations in market development.
- Efforts in the Multilateral Trade Negotiations to link the treatment of agricultural and nonagricultural products.
- Opening trade offices in key importing nations in order to facilitate the development of these markets.

- Aggressive pursuit of an international wheat agreement, to ensure our producers a fair share of the expanding world market.
- Support of legislation to provide intermediate export credit for selective agricultural exports.

5. Tax Measures. I am hopeful that Congress will work with the Administration to promptly resolve the tax problems of Americans employed abroad, many of whom are directly involved in export efforts. Last February, I proposed tax relief for these citizens amounting to about \$250 million a year. I think this proposal, which Congress has not approved, deals fairly and, during a time of great budget stringency, responsibly with this problem. I remain ready to work with the Congress to resolve this issue, but I cannot support proposals which run contrary to our strong concerns for budget prudence and tax equity.

My Administration's concern for exports is matched by our obligation to ensure that government-sponsored export incentives constitute an efficient use of the taxpayers' money. The DISC tax provision simply does not meet that basic test. It is a costly (over \$1 billion a year) and inefficient incentive for exports. I continue to urge Congress to phase DISC out or at least make it simpler, less costly, and more effective than it is now, and my Administration stands ready to work with Congress toward that goal.

REDUCTION OF DOMESTIC BARRIERS TO EXPORTS

Direct financial and technical assistance to United States firms should encourage them to take advantage of the increasing competitiveness of our goods in international markets. Equally important will be the reduction of government-imposed disincentives and barriers which unnecessarily inhibit our firms from selling abroad. We can and will continue to administer the laws and policies affecting the international business community firmly and fairly, but we can also discharge that responsibility with a greater sensitivity to the importance of exports than has been the case in the past.

1. Export Consequences of Regulations. I am directing the heads of all Executive departments and agencies to take into account and weigh as a factor, the possible adverse effects on our trade balance of their major administrative and regulatory actions that have significant export consequences. They will report back on their progress in identifying and reducing such negative export effects where possible, consistent with other legal and policy obligations. I will make a similar request of the independent regulatory agencies. In addition, the Council of Economic Advisers will consider export consequences as part of the Administration's Regulatory Analysis Program.

There may be areas, such as the export of products which pose serious health and safety risks, where new regulations are warranted. But through the steps outlined above, I intend to inject a greater awareness throughout the government of the effects on exports of administrative and regulatory actions.

2. Export Controls for Foreign Policy Purposes. I am directing the Departments of Commerce, State, Defense, and Agriculture to take export consequences fully into account

more

when considering the use of export controls for foreign policy purposes. Weight will be given to whether the goods in question are also available from countries other than the United States.

3. Foreign Corrupt Practices Act. At my direction, the Justice Department will provide guidance to the business community concerning its enforcement priorities under the recently enacted foreign antibribery statute. This statute should not be viewed as an impediment to the conduct of legitimate business activities abroad. I am hopeful that American business will not forego legitimate export opportunities because of uncertainty about the application of this statute. The guidance provided by the Justice Department should be helpful in that regard.

4. Antitrust Laws. There are instances in which joint ventures and other kinds of cooperative arrangements between American firms are necessary or desirable to improve our export performance. The Justice Department has advised that most such foreign joint ventures would not violate our antitrust laws, and in many instances would actually strengthen competition. This is especially true for one-time joint ventures created to participate in a single activity, such as a large construction project. In fact, no such joint conduct has been challenged under the antitrust laws in over 20 years.

Nevertheless, many businessmen apparently are uncertain on this point, and this uncertainty can be a disincentive to exports. I have, therefore, instructed the Justice Department, in conjunction with the Commerce Department, to clarify and explain the scope of the antitrust laws in this area, with special emphasis on the kinds of joint ventures that are unlikely to raise antitrust problems.

I have also instructed the Justice Department to give expedited treatment to requests by business firms for guidance on international antitrust issues under the Department's Business Review Program. Finally, I will appoint a business advisory panel to work with the National Commission for the Review of the Antitrust Laws.

5. Environmental Reviews. For a number of years the export community has faced the uncertainty of whether the National Environmental Policy Act (NEPA) requires environmental impact statements for Federal export licenses, permits and approvals.

I will shortly sign an Executive Order which should assist U.S. exports by eliminating the present uncertainties concerning the type of environmental reviews that will be applicable and the Federal actions relating to exports that will be affected. The Order will make the following export-related clarifications:

- Environmental Impact Statements will not be required for Federal export licenses, permits, approvals, and other export-related actions that have potential environmental effects in foreign countries.
- Export licenses issued by the Departments of Commerce and Treasury will be exempt from any environmental reviews required by the Executive Order.

more

- Abbreviated environmental reviews will be required only with respect to (1) nuclear reactors, (2) financing of products and facilities whose toxic effects create serious public health risks, and (3) certain Federal actions having a significant adverse effect on the environment of non-participating third countries or natural resources of global importance.

Accordingly, this Order will establish environmental requirements for only a minor fraction (well below 5%) of the dollar volume of United States exports. At the same time, it will provide procedures to define and focus on those exports which should receive special scrutiny because of their major environmental impacts abroad. This Executive Order will fairly balance our concern for the environment with our interest in promoting exports.

REDUCTION IN FOREIGN TRADE BARRIERS AND SUBSIDIES

We are also taking important international initiatives to improve U.S. export performance. Trade restrictions imposed by other countries inhibit our ability to export. Tariff and especially non-tariff barriers restrict our ability to develop new foreign markets and expand existing ones. We are now working to eliminate or reduce these barriers through the Multilateral Trade Negotiations in Geneva.

United States export performance is also adversely affected by the excessive financial credits and subsidies which some of our trading partners offer to their own exporters. One of our major objectives in the MTN is to negotiate an international code restricting the use of government subsidies for exports. In addition, I am directing the Secretary of the Treasury to undertake immediate consultations with our trading partners to expand the scope and tighten the terms of the existing International Arrangement on Export Credits.

I hope that our major trading partners will see the importance of reaching more widespread agreements on the use of export finance, to avoid a costly competition which is economically unsound and ultimately self-defeating for all of us. These international agreements are essential to assure that American exporters do not face unfair competition, and this Administration intends to work vigorously to secure them.

CONCLUSION

While these initiatives will assist private business in increasing exports, our export problem has been building for many years and we cannot expect dramatic improvement overnight. Increasing our exports will take time, and require a sustained effort. Announcement of my Administration's export policy is not the end of our task, but rather the beginning. To ensure that this issue continues to receive priority attention, I am asking Secretary Kreps, in coordination with officials from other concerned government agencies, to direct the continuation of efforts to improve our export potential and performance.

I will shortly sign an Executive Order to reconstitute a more broadly-based President's Export Council to bring a continuous flow of fresh ideas into our government policy-making process. I expect this Council to report to me annually through the Secretary of Commerce.

Increasing U.S. exports is a major challenge -- for business, for labor, and for government. Better export performance by the United States would spur growth in the economy. It would create jobs. It would strengthen the dollar and fight inflation.

There are no short-term, easy solutions. But the actions I am announcing today reflect my Administration's determination to give the United States trade deficit the high-level, sustained attention it deserves. They are the first step in a long-term effort to strengthen this Nation's export position in world trade.

156. Testimony of B. R. Dorsey, Gulf Oil Corp., before the Subcommittie on Multinational Corporations of the Senate Committee on Foreign Relations, May 16, 1975

TESTIMONY OF B. R. DORSEY, CHAIRMAN OF THE BOARD, GULF OIL CORP., ACCCOMPANIED BY FRANK L. SEAMANS, ATTORNEY AT LAW, AND MERLE E. MINKS, GENERAL COUNSEL, GULF OIL CORP.

Mr. DORSEY. I do.

Senator CHURCH. Mr. Levinson, our chief counsel, will commence with questions.

Mr. SEAMANS. Mr. Levinson, Mr. Dorsey does have a short statement he would like to make, if you please.

Senator CHURCH. Very well.

Mr. DORSEY. Mr. Chairman and Senators—

Mr. LEVINSON. Do you have copies of your statement?

Mr. DORSEY. Yes.

Senator CHURCH. Before you begin with the statement, may we have copies?

Mr. DORSEY. Mr. Chairman and Senators, I wish to make a statement which I believe will clarify a number of the questions in your minds and assist you in the conduct of your inquiry. With your permission, I should also like to set forth my views as to the legislative action which the Congress may wish to consider as a result of your findings. Before I deal with certain substantive aspects of what I understand to be the parameters of your study, I have some prefatory observations which I believe are relevant to this hearing.

CONTRIBUTIONS TO THE PRESIDENTIAL CAMPAIGN

In July of 1973, the then Special Watergate Prosecutor, Mr. Archibald Cox, called upon all companies which had made illegal contributions in connection with the 1972 U.S. Presidential campaign to come forward in their own and the public's interest and to disclose such contributions. Just about the time of Mr. Cox's statement, I learned, for the first time, that our then Washington Vice President had made certain contributions to the Committee to Re-Elect the President. I issued instructions that these be reported to the Special Prosecutor and that full cooperation be accorded to him. At the same time, I directed that such contributions be publicly disclosed.

SPECIAL MEETING OF THE BOARD OF DIRECTORS

On August 1, 1973, a special meeting of the board of directors of the company was convened to consider the contributions which had been made. At that meeting the board of directors directed the outside law firm of Eckert, Seamans, Cherin and Mellott to investigate the facts surrounding those contributions and to report its findings to the board. As this investigation continued, it became apparent that more was involved than simply the contributions made to the 1972 Presidential campaign. As a result of the investigation, the board of directors of the company was subsequently advised that during the period of 1960 to July 1973, approximately \$10.3 million of corporate funds had been used for various political contributions or related political purposes, of which approximately \$5 million were used abroad.

I should like to note that my fellow directors at Gulf and I have been agonizing about this problem since the initial disclosure in 1973. In my more than 30 years with the company, I know of no issue or circumstance that has caused us more grief, concern, and remorse than has the matter of these contributions. I can assure you we take this problem most seriously and we share the deep concern of our shareholders and the public. Since the summer of 1973, our directors have sought a constructive solution to this problem which would redound to the best interests of the company, its shareholders, and the country itself.

INVESTIGATIONS OF GULF'S ACTIVITIES

From the time of the initial disclosure in July of 1973, we have become involved in a number and variety of investigations. We have been, or are being, investigated by the Special Prosecutor's office, the Securities and Exchange Commission, the Internal Revenue Service, the Eckert, Seamans firm, a special review committee, and by this Senate committee. In addition, third party lawsuits have been filed and are currently pending.

While all of Gulf's activities in the area of contributions are being studied, I will address myself today to the approximately \$5 million which we distributed overseas, and which is the particular interest of this committee.

I appeared and gave sworn testimony to the Securities and Exchange Commission on February 28, and to an executive session of this committee on April 18. At each appearance I made an urgent plea that I not be required to disclose the names of the country or countries to which contributions had been sent. You will recall that,

in this committee, we discussed at great length the question of \$4 million in contributions in one particular country. I pointed out that we had hundreds of millions of dollars invested in that country; that the country and its leaders were allies of the United States and that the political party to whom we had made the contributions was still in power.

ASSURANCES OF CONFIDENTIALITY BY THE SEC

I wish to point out that the record of my testimony before the Securities and Exchange Commission on page 4—at the very beginning of the proceedings—quotes the interrogator as follows—and I quote:

At this point in the proceedings I would like to make a statement for the record that the reporter and both of the Securities and Exchange Commission staff members are sworn to rules of confidentiality of this matter and that all parties understand the import of this.

End of quote.

I had similar assurances with respect to the confidentiality of the executive session of this committee on April 18 and I was advised that an executive session is precisely that, and that only in the event there were any subsequent public hearings would my testimony be public.

THE WALL STREET JOURNAL STORY OF MAY 2, 1975

Notwithstanding these assurances, given by two distinguished branches of the Government of the United States, the Wall Street Journal of May 2—exactly 2 weeks after I testified before this committee, and 8 weeks after I testified before the Securities and Exchange Commission, quoted from my SEC testimony in precise detail. The Wall Street Journal was not merely told of this confidential testimony, but actually had access to a transcript, because an error in the Securities and Exchange Commission transcript where I had said several hundred million dollars, and where I was incorrectly quoted as having said \$700 million, appears in the Wall Street Journal as \$700 million.

Senator CHURCH. May I just interrupt at this point, Mr. Dorsey, so that everyone understands.

GULF'S TESTIMONY IN EXECUTIVE SESSION BEFORE THE SUBCOMMITTEE

You had an executive session before this subcommittee, and although I have not read further in your statement, I think it is time we asked the question. You are not charging that anything that transpired in our subcommittee or the transcript of the proceedings in our subcommittee were carried in the press or that there was any breach of faith where our subcommittee is concerned?

Mr. DORSEY. Mr. Chairman, I am simply reciting the facts.

Senator CHURCH. The facts as you have recited them have to do with testimony that was given before the Securities and Exchange Commission which later appeared in the press, is that correct?

Mr. DORSEY. Yes.

Senator CHURCH. Very well.

DISREGARD FOR CONFIDENTIALITY

Mr. DORSEY. This callous disregard of confidentiality has placed my company in an untenable situation in almost 70 countries around the world. The Wall Street Journal speculated as to where Gulf might have investments of \$700 million and the consequences of these irresponsible inferences have been disastrous to the company and, I believe, seriously detrimental to our Nation. Venezuela unfeignedly threatened a congressional investigation and threatened to shut us down if we did not exonerate them within 48 hours.

I might add in Venezuela we were in the middle of some extremely sensitive negotiations trying to recover whatever we can out of nationalization in that country.

Ecuador similarly launched a massive investigation to determine if any of her officials had been the recipients of money from Gulf.

Peru has expropriated our assets. Our managers and partners all over the world have told us that their positions have been severely prejudiced and that our very status could be threatened. We must, of course, accept our full share of responsibility for this situation, but the breach of confidence by someone in the U.S. Government, pending a comprehensive report which would put the entire matter in full perspective, has gravely exacerbated the problems.

THE REVIEW COMMITTEE

As you know, we had stipulated with the Securities and Exchange Commission and with Judge Sirica in the District Court here in Washington to appoint a review committee to be comprised of two outside directors of Gulf, Messrs. Nathan Pearson and Beverley Matthews, and to designate as chairman, Mr. John McCloy, who has a long and distinguished record in public service. The composition of this committee, as I have noted, was approved by the SEC. That committee has the responsibility to undertake a full review of the investigation made on behalf of the company into the use of corporate funds for political activity and to undertake such other and further investigation as the committee may deem essential or necessary in order to render a complete report.

The review committee has employed independent counsel and independent accountants to assist and advise it. The committee has been organized, fully staffed and has been actively engaged in carrying out its assignment. I have repeatedly pointed out that since the full report of the committee would be presented to the SEC, the court, the board of directors and your committee, that any one of these agencies or bodies—as well as the review committee itself—could make it public, and undoubtedly will.

Under the circumstances, I had no alternative but to decline to respond to inquiries from the press, or even from shareholders, notwithstanding the zeal and persistence of some very determined reporters, because I was instructed that my doing so would be prejudicial to the work of the review committee.

THE CONSEQUENCES OF DISCLOSURE

Gentlemen, the consequences of the publication of a confidential examination by an official body of our Government has forced me to make an untimely disclosure about our foreign contributions.

I will make this disclosure not without trepidation. I do so with apologies to Mr. McCloy and his committee for preempting their investigation and discussing, at this time, a significant aspect of their work.

But I have no choice.

There are approximately 70 countries in which we do business. In fairness to them—and in order to put an end to additional destructive speculation—I requested that the foreign phase of the ongoing investigation be accelerated. I will be completely candid with you.

CONTRIBUTIONS TO REPUBLIC OF KOREA

Initially, I will address myself to the \$4 million in political contributions with respect to which I testified during my appearance before you in executive session on April 18. The recipient of those contributions was the Democratic Republican Party of the Republic of Korea.

CIRCUMSTANCES OF CONTRIBUTIONS

Before I detail the circumstances and amounts of these remittances, there are certain observations which I feel must be made and placed upon this record and before the American people.

There is no universal ethical absolute.

In the course of your responsibilities as U.S. Senators, most of you have traveled all around the world. You know that mores, customs, standards, values, principles, and attitudes vary all over the world. What is immoral to some, is perfectly correct to others. What is onerous to one culture, may be perfectly proper and decent to another. What is unacceptable in one society, may be the norm in another.

One truth is uniform. The United States neither exists nor grew to its position of strength by building a wall around its borders and isolating itself from the rest of the world. We depend upon other nations for raw materials and for markets. Both of these are essential to the employment, prosperity, progress, and growth of our country. Numerous American companies operate in many foreign countries. We not only function in these countries through the suffrage of the respective leaderships, but we are in constant competition with other technological powers who seek these same resources and markets.

And we are sometimes subject—as we were in the case of the Republic of Korea—to political pressures which we cannot always successfully resist. These pressures were even more intense than those to which many American corporations were subjected in the traumatic and scarring 1972 American Presidential election.

From the vantage of hindsight, and sitting as I am in the witness chair, I seriously question whether my judgment as to these contribu-

tions was sound or correct. I felt at the time, and under the pressure applied that I had taken the right course in order to preserve our investment and our shareholders' interests. But irrespective of the propriety of my action, what is done is done. And there remains nothing that I can now do other than to report to you and to the American people exactly what was done and how and why it was done.

The responsibility is mine and I accept it. I regret that these decisions have brought pain to the distinguished board of directors with whom I am privileged to serve; embarrassment to the stockholders of my company for whom I am proud to work, and anguish to the many people whom we employ and with whom we do business all around the world. This is a sorrowful chapter in Gulf's long and otherwise productive and constructive history of achievement.

THE \$4 MILLION CONTRIBUTION TO THE REPUBLIC OF KOREA

Let us return, now, to the \$4 million in political contributions which were made to the Democratic Republican Party of the Republic of Korea. That amount represented two separate political contributions, each in connection with a forthcoming national election. The first contribution was in 1966, in the amount of \$1 million and the second, in 1970, in the amount of \$3 million.

As you all know, following the Korean conflict, the Republic of Korea went through a period of economic and political strife. This struggle was still continuing when Gulf was asked to participate in the ownership of a substantial industrial facility in Korea, which represented the largest foreign private investment in that country.

This came about with the encouragement of the U.S. Government. Korea was given assistance through AID loans, to participate in joint ventures with Gulf, and our Government, through OPIC, provided insurance for our investments in Korea in order to further encourage our participation.

At the same time, the U.S. Government had urged that Korea fully establish itself as a democratic society by holding national elections similar to the election process in this country. Faced with a multi-party political system, the Koreans either quickly recognized, or took advantage of the need to raise substantial funds in order to conduct national elections. The leaders of the governing political party in South Korea determined that this could be accomplished by exerting severe pressure for campaign contributions, on foreign companies operating there.

It was this background that gave rise to the demand, in 1966, that the company make a substantial contribution to the campaign of the Democratic Republican Party, which was then and still is the ruling party in South Korea. Our investigation indicates that the demand was made by high party officials and was accompanied by pressure which left little to the imagination as to what would occur if the company would choose to turn its back on the request. At that time the company had already made a huge investment in Korea. We were expanding and were faced with a myriad of problems which often confront American corporations in foreign countries. I carefully weighed the demand for a contribution in that light, and my decision to make the contribution of \$1 million was based upon what I sincerely con-

sidered to be in the best interests of the company and its shareholders.

In connection with the 1971 national election, the pressure for a political contribution intensified considerably. Officials of the Democratic Republican Party insisted that the company contribute \$10 million. This request was transmitted to the company's area manager in Korea by Mr. S. K. Kim, who was financial chairman of the Democratic Republican Party, as he had been in 1966. I was advised in Pittsburgh of the request. A short while thereafter I had occasion to be in Korea and witnessed, first hand, the pressure being exerted by officials of the Democratic Republican Party. At that time I had heated discussions with officials of the party and flatly rejected both the intensity of the pressure being applied, and the amount demanded. In response to my position, the \$10 million request was subsequently changed to \$3 million, to which I acquiesced, believing that the contribution would be in the best interest of the company.

Although each of the contributions came from company funds in the United States, the transfers were recorded as an advance to Bahamas Exploration Co. Ltd., where they reflected on the books and records of Bahamas Exploration Co., as an expense.

VIOLATION OF KOREAN STATUTE

I would like to make it clear, that insofar as I was concerned, both payments to the Democratic Republican Party of the Republic of Korea represented political contributions to that party. To my knowledge the company never asked for nor received anything in return for the contributions except, perhaps, the unfettered right to continue in business. I believed, at the time, that such contributions were both proper and legal under both American and Korean law. I have recently been advised that they were, in fact, in violation of a Korean statute.

OTHER TRANSACTIONS INVOLVING KOREA

In addition to the contributions which I have just described, there were several other transactions involving Korea which recently came to light and which the review committee is investigating. There is every indication that these transactions do not even remotely approach the magnitude of \$4 million, and may ultimately be determined to be funds paid in connection with perfectly proper and lawful commercial transactions.

In addition, we recently became aware of a small amount of funds that was kept in a special account in Korea during the years 1972 through 1974. These funds represented amounts paid, under a common practice of banks in Korea, as additional interest for the deposits in these banks. Since the banks do not reflect these payments on their books, they require the recipients likewise not to do so. Rather than forgo the payments, the company personnel in Korea apparently maintained the funds in a special off-balance sheet, but fully documented account. These funds were used, from time to time, for payment to off-duty police to provide needed security for the company's facilities, and for other purposes. This fund will be likewise the subject of investigation by the review committee.

Now, as to additional foreign contributions.

BOLIVIAN CONTRIBUTIONS

There were three instances of political contributions made in Bolivia. The first such involved the lease and subsequent purchase of a helicopter for the late General Rene Barrientos, who became President of Bolivia in 1966. During that year, and while General Barrientos was campaigning for the Presidency, the company was urged to make a helicopter available for his use and the lease payments during a short period of time were paid for by the company. When the lease expired, General Barrientos, who in the meantime had been elected to the Presidency of Bolivia, insisted on the continued use of the helicopter. In response to continuing pressure, we worked out an arrangement with the manufacturer of the helicopter whereby it was purchased for General Barrientos. The amount involved, both with respect to the lease payments and the purchase price, was approximately \$110,000. This payment was made from checks drawn on a bank account maintained by Bahamas Exploration Co.

There are two other instances whereby, following a demand by General Barrientos, corporate funds were given to members of his political party. I do not have precise details regarding these payments, and the matter currently is being investigated by the review committee. However, it seems that the first payment was in the apparent amount of \$240,000 and the second payment was \$110,000. At this stage of the investigation, I am unable to report to you the circumstances giving rise to this transfer, but I am confident that details will be forthcoming. As in the case of the payments made to Korea, each of these payments was recorded as an advance to Bahamas Exploration Co. and reflected on the books and records of that subsidiary as an expense.

FUNDS FOR THE PUBLIC EDUCATION PROGRAM RE ARAB/ISRAELI DISPUTES

A further charge in the amount of \$50,000 also appears in the books and records of Bahamas Exploration Co. in 1970. Here again, the payment is being investigated by the review committee, but it appears that the amount was made available through the First National City Bank, Beirut, Lebanon, for the purpose of helping to defray the expenses of a public education program endeavoring to bring about a better understanding in America of the Arab-Israeli conflict.

FUNDS INVOLVING ITALY

Beyond what I have attempted to describe in some detail, I would also like to point out that in early 1975, and as a result of the implementation of stricter controls and procedures adopted by the company, our independent certified public accountants disclosed certain areas of inquiry which may indicate further use of corporate funds for political purposes abroad. Since that disclosure, the review committee and the company have been actively engaged in an investigation of the matters to determine whether or not there was any impropriety. I would hope that this committee would bear with us while this investigation is continuing so that reliable information can be offered to you rather than to engage in speculation. I will say that some of these expenditures involve Italy. However, I do respectfully request that in

all fairness, the investigation should be permitted to proceed so that reliable information can be obtained, and informal judgments reached, rather than to engage in premature conjecture at this time.

THE BAHAMAS EXPLORATION CO.

Gentlemen, you have heard much about the Bahamas Exploration Co. I wish to emphasize that none of the members of the Gulf board had any knowledge that it was used to transmit political contributions and related expenses. The board first learned about it sometime after July 1973, and I will now tell you what that is about and how it worked.

Bahamas Exploration Co. was incorporated in 1944 and was organized to acquire exploration licenses in that area of the world. Although it was determined later that there was little expectation of finding crude oil in the Bahamas, the company continued to hold the exploration licenses.

Our investigation discloses that starting in 1960, Bahamas Exploration Co. was used—for bookkeeping and accounting purposes—to transfer funds for use as contributions, gifts, entertainment, and other expenses in the United States. The funds were transmitted to a bank account established in the name of Bahamas Exploration in Nassau, Bahamas. The total amount of funds deposited from 1960 through December 31, 1972, was \$5,201,798.96.

The funds transmitted to Bahamas Exploration were deposited in the bank account and entered as deferred charge which was written off as expenses during the current year. The transfers, which initially were in the form of intercompany advances, were treated as capital contributions to Bahamas Exploration by Gulf.

PAYMENTS FOR HELICOPTER

With the exception of approximately \$110,000, it appears that all of the money deposited in and withdrawn from the Nassau bank account during this entire period was used in the United States. This \$110,000 was withdrawn by four checks made payable to Fairchild Hiller Corp., for the lease and purchase of the helicopter of which I told you earlier.

Except for the helicopter, the funds which were used for contributions, gifts, entertainment or other expenses abroad were recorded on Bahamas Exploration's books merely for accounting purposes. The moneys were never deposited in the Nassau bank. Again, the foreign transfers were treated as an advance, reflected as deferred charges and expenses on Bahamas Exploration's records and treated as capital contributions by Gulf.

THE REPORT OF THE SPECIAL REVIEW COMMITTEE

Mr. Chairman and Senators, the special review committee has undertaken to file with the Securities and Exchange Commission and the court, a full report and it will be made available immediately upon its completion. The report, we expect, will fill in the gaps and complete the inquiry. We ask that you bear with us until it is available.

You have our complete assurance that every effort is being made to prevent any recurrences of these activities. We are taking very stringent measures—all possible steps—to assure that this will never happen again. The harsh lessons we have learned are indelibly etched in our minds. They will fortify our determination and commitment. This is the ultimate control.

RECOMMENDATIONS FOR LEGISLATION

But you can help us, and many other multinational companies which are confronted with this problem, by enacting legislation which would outlaw any foreign contribution by an American company. Such a statute on our books would make it easier to resist the very intense pressures which are placed upon us from time to time. If we could cite our law which says that we just may not do it, we would be in a better position to resist these pressures and to refuse the requests.

Gulf has been an important factor in the economy of our country through its operations, both here and abroad. Our morale, our vigor, and our very future, as a significant force in the American business community, will in large measure rest upon a constructive and understanding treatment of this problem.

I thank you for your patience and courtesy today. The officers and more than 50,000 employees of Gulf have gone through a very searing and bitter experience. Our directors are determined that we will never suffer this trauma again and we look to you for leadership and legislative support.

Thank you very much.

THE PURPOSE OF THE SUBCOMMITTEE'S INVESTIGATION

Senator CHURCH. Mr. Dorsey, this has been a dismal story you have told. You know it; we know it. But I think you have done the right thing in coming before this committee and making the kind of forthright disclosure that you have made this morning.

When this matter first surfaced as a result of the investigation of the Securities and Exchange Commission, and the focus that has since resulted in the press, it made it imperative, I believe, that you bring to this committee, as you have this morning, the full and particularized disclosures that you have made, and for that I commend you.

As you have rightly observed, the purpose of this investigation is to determine if the Government of the United States can help in the future to bring an end to practices of this kind. That is the reason why we have undertaken this inquiry and that is the purpose we hope to serve.

I will have questions, other members of the committee will have questions.

When this hearing got underway earlier this morning neither Senator Symington nor Senator Percy were here. Before we go to the questions it may be that they will have some preliminary remarks they would like to make. Senator Percy has so indicated.

Senator Symington, do you have any comment you would like to make at this time?

Senator SYMINGTON. Not at this time, Mr. Chairman, thank you.

Senator CHURCH. Then, the Chair recognizes Senator Percy.

REMARKS OF SENATOR PERCY

Senator PERCY. Mr. Chairman, I can understand Mr. Dorsey's dilemma today and I know the agony of 50,000 employees and your directors and appreciate the problems presented to you. The Nation has gone through a very traumatic experience in recent months and your own dilemma has been a very great one, indeed. I want you to know that we did deliberate long and hard about the wisdom of having open hearings. It was a unanimous decision by the members of the committee that the public interest in the long run and the national interest in the long run and free world interest in the long run would best be served by it; that the sunshine that we put on these events, the very fact that it could be brought out in the public, probably is a test of our system, just as Watergate was a terrible experience for all of us. This, too, is a very difficult experience. Two members of this committee, Senator Symington and myself have spent many, many years in industry. We both operated multinational corporations. We both did business in countries all over the world, manufactured abroad and distributed and sold abroad, so we have first-hand knowledge as to the problems involved, and I imagine both of us have been confronted with decisions through the course of 25 years, in my case, as I headed foreign manufacturing as a junior officer in the company before becoming chief executive officer. But we had to face those decisions and we did each and every time and I discussed with my colleague in executive session on the record what my own experience was there and I had no hesistancy in so doing.

The importance of the hearings that we are holding today by the Subcommittee on Multinational Corporations is really not to determine whether Gulf Oil did or did not contribute to a political process abroad. Gulf Oil has already admitted publicly that it has done so. Nor is this hearing designed to investigate whether Gulf Oil, its officers or directors, have committed an illegal act. There is no statutory prohibition against corporate political contributions abroad. The purpose of the hearing is to examine U.S. corporate business practices abroad and to attempt to ascertain the impact of these practices on U.S. foreign policy.

Gulf Oil represents a case study of this issue just as ITT served this subcommittee as a case study of a corporation attempting to influence U.S. policies toward Chile. Other cases such as *United Brands* and *Northrop* have been featured recently in the press. The alleged issues in the latter two cases are respectively bribery and kickbacks on sales.

Some argue that the real damage done to the U.S. foreign policy is in the public revelation of these case studies. I disagree and every single member of this committee has disagreed. The real damage done is to the political and constitutional process of the recipient countries.

Corruption is the dry rot of the capitalistic system, or any other system for that matter. It rewards wealth, influence, and access. There is no market for talent or excellence. Leadership is selected on other criteria than competence. Certainly Cambodia and South Vietnam suffered heavily from this dry rot and our foreign policy suffered along with it. And it was that internal dry rot that brought about the collapse of those governments because simply they would not and

could not be supported by their citizens because it permeated throughout society there.

It is not in our national interest to foster corruption in other countries nor to condone it. However, we cannot play ostrich. Corruption is present and institutionalized in many of the countries with whom we deal. Civil servants are underpaid on the assumption that they are going to make it up elsewhere, and they are really expected to do so, politicians consider their post as high-risk employment and want what they consider just compensation. This is not just a fault of others, we have it here in the United States also. And I only need remind myself that I have lived in Cook County for over a half century and have seen it under both Republican and Democratic administrations rampant in Cook County, Ill., and we are not proud of it one bit.

The remedy is not pillory of U.S. corporations who must work in this environment if they wish to do business. Maybe we ought to have legislation, and I was very, very proud indeed and pleased that you saw fit to come forth with a very straight-forward recommendation in this regard. I wonder what we would do as members of the Senate if we did not have an absolutely clear regulation that no gift can be accepted by us or by any member of the U.S. Government in excess of \$50 in value. The clarity of this regulation leaves no equivocation whatsoever and leaves no hesitancy in my mind, as I have turned back gifts that have been offered to me by governments around the world. To them it is a very small token and they put it in a token value, but when the value is \$51 it goes back and the law makes it very clear and there can be no hurt feelings or misunderstandings about it.

But, indeed, that is one of the questions as to whether we should have such legislation now affecting political contributions abroad.

Your testimony has been extraordinarily helpful in that regard. I hope these hearings will help us answer the question whether or not legislation of any type is needed in this area.

I also hope we can discover how pervasive such practices are, how many U.S. companies feel compelled to deal in this type of fashion in order to conduct business abroad. To blind ourselves to the fact that such practices exist can only perpetuate them. I think it would be in the best interest of the U.S. Government, U.S. companies and indeed, host countries to bring these practices right out in the open. If they are known, our Government can make direct representation to other governments on behalf of U.S. companies and other countries can hopefully be stimulated into taking corrective measures. The truth may not always make one free but it can hopefully prevent perpetual enslavement to a system that thrives on secrecy and darkness.

I think in closing, I would like to, because of the excellent quotation that our distinguished chairman put into the record this morning, which certainly would be hard to improve on—Justice Brandeis in 1914 had this to say :

Publicity is just commended as a remedy for industrial disease. Sunlight is said to be the best disinfectant. A corporation avoids conduct that will prove embarrassing if disclosed; the possibility of future disclosure constitutes a major element in shaping current decisions.

I think to bring sunlight to bear, to demonstrate and prove our system, will require that we do so and that even when there are activi-

ties that we are not proud of, at least the process is such we can bring it to bear, and we are strong enough and tough enough to be able to resist it, whatever harm it may do, to overcome it, and then go about, setting about to see that we correct it in the future, and I think your contribution this morning has been extraordinarily helpful to us.

COMMENTS BY SENATOR CHURCH

Senator CHURCH. Thank you very much, Senator Percy. It had been contemplated, Mr. Dorsey, that the information you have volunteered would be asked for and extracted, if you will, through a series of detailed questions. Most of those questions are now unnecessary though there are some we could ask.

I will not press you to speculate on those areas to which you referred where an investigation is now underway. You have given us your pledge when that information is available it will be supplied to this committee, and I agree with you that it would not serve anyone's interest to speculate on what is not now known. I am assured from what you have told us you will give us a full disclosure of anything else that may emerge.

THE KOREAN CONTRIBUTION

Now, going to the Korean case. You mentioned on page 11 of your testimony:

As you all know, following the Korean conflict the Republic of Korea went through a period of economic and political strife. This struggle was still continuing when Gulf was asked to participate in the ownership of a substantial industrial facility in Korea, which represented the largest foreign private investment in that country.

This came about with the encouragement of the U.S. Government.

Korea was given assistance through aid loans, to participate in joint ventures with Gulf, and our Government through OPIC, provided insurance for our investments in Korea in order to further encourage our participation.

I think that is an accurate statement of the situation at the time.

What I would like to know is, inasmuch as the U.S. Government was then engaged in a very large aid program for the Government of Korea, and inasmuch as some of that aid money furnished Korea by the American Government was to be used in this project, there was a clear Government interest involved.

Furthermore, through OPIC the Government of the United States had undertaken to insure your investment against various hazards, including the hazard of expropriation.

ROLE OF THE AMERICAN EMBASSY

That being the case, did you at any time while the conversations were underway with the Koreans involved, and before any money was paid over to the political party, advise the American Embassy of the Korea demand for money?

Mr. DORSEY. No, sir, I did not.

Senator CHURCH. Why did you not?

Mr. DORSEY. Well, I suppose it goes back to a sort of a lifetime habit of our lifetime experience of having received very little help from the State Department and the American Government in foreign en-

deavors and very often finding they had very little interest and would just as soon as not talk to us. This was not true in Korea, I hasten to add. The AID people there were extremely helpful. I think they are probably among the most able State Department people I have ever known. And we had during these times that I was associated in Korea excellent ambassadors, but it never occurred to me to go. I suppose it was a lifetime habit or maybe I was basically ashamed of what was going on, I do not know.

PRESSURE FROM THE KOREAN GOVERNMENT

Senator CHURCH. On page 12 of your statement you say:

The leaders of the governing political party in South Korea determined that this could be accomplished by exerting severe pressure for campaign contributions on foreign companies operating there.

To your knowledge, was such pressure exerted against other foreign companies besides Gulf?

Mr. DORSEY. No, not to my certain knowledge. The only reason I would have to think it might be is that the fundraiser for the party, who was the man with whom I dealt, made it clear to me and made it very clear to other Gulf people with whom he had talked before he talked to me, that this favor was being distributed equally among all investors and surely others would be, and, of course, as always in fundraising there is always a broad implication that the other chap has, whether it is true or not. The rules of the game are you do not ask but the strong implication was they had. These things are not quite that straightforward, they are always veiled.

Senator CHURCH. Yes. But would it be fair to say that, and would it be accurate to say that, in your exchanges with the Koreans involved you were left with the impression that other companies were also making contributions or also being approached for the purpose of soliciting contributions?

Mr. DORSEY. That is correct.

PURPOSE OF BAHAMAS EXPLORATION CO. LTD.

Senator CHURCH. On page 13 of your statement you have testified as follows:

Although each of the contributions came from company funds in the United States, the transfers were recorded as an advance to Bahamas Exploration Company Limited, where they were reflected on the books and records of the Bahamas Exploration Company as an expense.

And further on in your statement, on the bottom of page 19, you say, with further reference to the Bahamas Exploration Co., Ltd.:

Except for the helicopter, the funds which were used for contributions, gifts and entertainment and other expenses abroad were recorded on Bahamas Exploration books merely for accounting purposes. The monies were never deposited in the Nassau bank.

CONCEALMENT OF FUNDS

Now, the accounting purposes is really a way of saying that the funds were handled this way in order to conceal the actual use to which the money was put; is that not true?

Mr. DORSEY. I think that is an accurate statement, yes.

THE PUBLIC EDUCATION FUND

Senator CHURCH. On page 17, you have testified, I will read the whole paragraph:

A further charge in the amount of \$50,000 also appears in the books and records of the Bahamas Exploration Co. in 1970. Here again the payment is being investigated by the review committee but it appears that the amount was made available through the First National City Bank, Beirut, Lebanon, for the purpose of helping to defray the expenses of a public education program endeavoring to bring about a better understanding of the Arab-Israeli conflict.

Can you give us any further details about that public education program and just what its objectives were?

The language you use is rather general here and I am wondering if you can give us further particulars.

Mr. DORSEY. I would give you my general impression. I can get details for you. But my general impression is that at that time there was a feeling among the Arab countries and the Arab leaders that the Arab position in this entire matter, Middle East matter, in the conflict with the Israelis was not understood. The Arab position was not understood in the United States.

And my impression is that they felt that there should be launched a public relations campaign, the usual kind of thing, find yourself a public relations man in New York and get favorable articles in newspapers, I suppose, and get TV coverage and whatever, to tell their side of the story.

That is my general impression but I could get you more details, if you like.

Senator CHURCH. I think that clarifies the objective.

The question that I have is why could not the Arabs pay for their own publicity campaign in the United States?

Mr. DORSEY. It is a very good question. There is no reason why they could not.

Senator CHURCH. They certainly do not lack the money.

Mr. DORSEY. They do not lack the money. I do not know why and I would just as soon not speculate on why they did not.

Senator CHURCH. Well, is it true that other oil companies funneled money through the Gulf Co. in this particular enterprise?

Mr. DORSEY. I do not know that. I certainly would doubt it. I would presume that whoever was making the approach made it equal to all companies. I do not think we took a lead in it. I think we simply were contributors.

CONCEALMENT OF FUNDS FOR ARAB PUBLICITY CAMPAIGN

Senator CHURCH. Would it be fair to say that the contribution made by Gulf for purposes of financing the Arab publicity campaign in this country was concealed and that arrangements for making this money available were for the purpose of concealing it?

Mr. DORSEY. I do not really know. I was not aware of this at the time it was done. I am not sure whether there was an attempt to conceal it or not. I think you can reason that there was or it would not have gone through this account.

Senator CHURCH. The account suggests a purpose of concealment.

Mr. DORSEY. Yes.

Senator CHURCH. Is this the first time that you have made a public disclosure of this particular expenditure?

Mr. DORSEY. I am not sure at all. It has only come to my attention because of the investigation and it was an additional amount of money that did go through the Bahamas Exploration account. In an attempt to be perfectly candid, I am talking about that. I do think that if there has been any publicity given to it before, it is not a very large amount of money.

THE ARAB INFORMATION LEAGUE

Senator CHURCH. Do you know whether the money went to the Arab Information League in Dallas?

Mr. DORSEY. No, I do not. My impression is it was a Middle East request, that the request was made in the Middle East, but I am not sure of that. If you want more information I will be glad to find it for you.

Senator CHURCH. If you could furnish us with more details, that would be appreciated.

LEGISLATION AND ITS EFFECTS

I will turn to other members of the committee, to this final statement that you have made in your prepared testimony this morning. You have said,

But you can help us, and many other multinational companies which are confronted with this problem, by enacting legislation which would outlaw any foreign contribution by an American company. Such a statute on our books would make it easier to resist the very intense pressures which are placed upon us from time to time. If we could cite our law which says we may not do it, we would be in a better position to resist these pressures and to refuse the requests.

Having had much experience in dealing with the problem you have described to this committee today, do you believe that had such a law been on the books you would have been in a greatly stronger position to resist the demands that were made upon you in Korea?

Mr. DORSEY. There is no doubt of that. No doubt of that.

Senator CHURCH. And do you think that the long-term interests of American-owned multinational corporations would be furthered and their acceptability in foreign lands would be strengthened if such a law were enacted?

Mr. DORSEY. Well, I certainly agree that the long-term interest of American companies that operate abroad, that their interest would be enhanced and their situation would be improved by such legislation. As to their acceptability in foreign countries, I would not have any comment on that. You do not really go into countries based on that; there are other factors that determine.

VULNERABILITY OF THE MULTINATIONAL COMPANIES

Senator CHURCH. Would you worry or do you think that the fact that other governments might not impose similar restrictions upon their multinational companies would constitute a serious disadvantage to American companies competitively should the law be changed as you suggested?

Mr. DORSEY. I would only speak for the multinational oil companies. I would doubt it because basically, the competition in worldwide oil has been among seven companies and five of which are U.S.-based companies. And I think that that being so, five out of seven, that if they were all under the same constraints and basically, too, the same philosophical approach to the problem, that it would solve the problem. I do not think that two foreign oil companies, I mean non-U.S. oil companies, would have any particular advantage over us, because there again are many, many things that are determining.

You see, you do not go into a country, at least we do not, and contrary to popular opinion, I doubt if many people do, on the basis of bribes and corruption in the first place. I think you go in because you are invited. I think you go in because there are opportunities for you there, that you go in most of all because you are needed. If you are not needed in the country there is no point in your being there, and you will not make any money anyway.

So you do not go into these situations to make political contributions or to have people request them or to have people request anything, but it sort of flows along as you get more deeply involved and as your investment gets greater you tend to run into these things.

Senator CHURCH. The truth is, is it not, that once the investment is made and a great deal of money is then at stake, the position of the company becomes more vulnerable to pressures of this kind?

Mr. DORSEY. Yes, of course. Our history in Korea would indicate that where we started out with an initial \$25 million investment and one time had an investment of as much as, I think \$350 million.

Senator CHURCH. And the demands went from \$1 million contribution to \$3 million and then \$10 million, did it not?

Mr. DORSEY. That is true.

Senator CHURCH. The next round?

Mr. DORSEY. That is true.

Senator CHURCH. Senator Symington.

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Dorsey, I am sort of new on this subject.

DOMESTIC CONTRIBUTIONS

To go back to the first page of your statement, if I may for a minute. You say that, "from Mr. Cox's statement I learned for the first time that our then Washington vice president made certain contributions to the Committee to Re-Elect the President." It happens the gentleman in question who was representing you is a friend of mine and I have always considered him an honorable man.

How would he be able to have these millions upon millions of dollars without your knowledge as president of the corporation?

Mr. DORSEY. Well, that is a question I have been asked by the Special Prosecutor and by others and—

Senator SYMINGTON. I am not a Special Prosecutor, I am only a Senator. I am just asking for information.

Mr. DORSEY. I have been asked the question before and I can only say that it appears from the investigation, very thorough investigation that has been made, that in 1960, or maybe the year before, that an arrangement was made by the people that were running the com-

pany at that time, to where these funds could be made available for those political purposes, and the authorities were established and the mechanism was established, and it simply was like any other authority that gets established in a company. And there are thousands of authorities, if not hundreds of thousands. And this one kept right on going and everyone that was involved in it, quite apparently from the investigation that has been made since, was acting within his authority and within the authorities that had been given to him, and it simply went on until it was revealed in 1973.

I would simply point out—

Senator SYMINGTON. I am only asking. In other words, as I understand, it was something set up and never divulged to you until you came in as president?

Mr. DORSEY. That is correct.

Senator SYMINGTON. How was it expressed on the balance sheet you would sign when you put out your earnings statement to your stockholders?

Mr. DORSEY. I presume it was, I do not know that it was, obviously not revealed.

Senator SYMINGTON. Did you put it under the heading of miscellaneous?

Mr. DORSEY. Miscellaneous expense.

Senator SYMINGTON. And there were no questions about what this miscellaneous expense was for?

Mr. DORSEY. Senator, this was a relatively small amount of money. During this period of time I think the company did some \$60 or \$70 billion worth of business in that 15-year period and \$10 million is not really a very large amount of money, it does not stand out.

Senator SYMINGTON. \$5 million?

Mr. DORSEY. Well, the \$5 million I knew about. I am only talking about the portion that came into the United States of which I had no knowledge.

Senator SYMINGTON. I thought that was about \$5 million.

Mr. DORSEY. It was about \$5 million, yes, sir.

KOREAN PAYMENTS

Senator SYMINGTON. Well, going on to the question of Korea. For reasons that are not important, I have been involved with that over some period of years. As I get it, about 80 percent of the money that you felt necessary to pay off the people in order to get a better corporate position went to Korea; is that about right?

Mr. DORSEY. \$4 million out of \$5 million.

Senator SYMINGTON. And yet you were doing business with, I think your statement says, 70 different countries?

Mr. DORSEY. Yes.

Senator SYMINGTON. You did not have to pay any money to other people in any amounts in other countries?

Mr. DORSEY. Well, I have revealed in my statement everything I know, everything the investigation has brought out, and I rather think it is basically a complete statement.

I would be more surprised than anyone else if there were any large amounts of money that have not been revealed, although I still say the investigation is ongoing.

THE PERCENTAGE OF GULF'S BUSINESS IN KOREA

Senator SYMINGTON. Well, everybody knows that Gulf is a great corporation and I was wondering what percentage of business did Gulf do with Korea as against its worldwide business?

Mr. DORSEY. In any one year, I would think that it would be basically during that period of time it would have been probably in the nature of \$200 million a year out of a total of \$6 or \$7 billion, something of that magnitude.

Senator SYMINGTON. So you would be paying 80 percent of what you had to pay in holding down these political people for less than, \$200 million out of \$6 billion?

Mr. DORSEY. That is true.

Senator SYMINGTON. Three percent or something like that of your business it cost out of 80 percent of what you paid out in this fashion. Is that correct?

Mr. DORSEY. Yes, sir, I have not thought about it that way but it is quite correct.

OTHER COUNTRIES' CUSTOMS

Senator SYMINGTON. Another line that interests me, on page 9 you say you know "mores, customs, standards, values, principles, and attitudes vary all over the world. What is immoral to some is perfectly correct to others. What is onerous to one culture may be perfectly proper and decent to another. What is unacceptable in one society may be the norm in another."

Were you thinking of Korea when you said that?

Mr. DORSEY. Not particularly, although obviously, it was in my thoughts. But what I really had in mind in thinking about that were a number of rather interesting articles that have appeared in particularly the New York Times and Wall Street Journal over the past 2 or 3 weeks, I think even adding to my information about the practices around the world and implying even that the Pentagon has written a paper instructing people how to get along, arms salesmen in foreign countries. These are good articles, I think that—

Senator CHURCH. This is a subject to which the committee is going to turn its attention.

Senator SYMINGTON. The reason I asked that is that the next country you talk about is Korea, and what worries me is that, as you know, and I think you will agree, that South Korea could not have been held up militarily without the support of the United States in the years when you were giving the money to support the government that was in power at that time. Is that a fair statement?

Mr. DORSEY. I am very aware of that and that is a very true statement.

AID TO KOREA FROM THE U.S.

Senator SYMINGTON. Did you ever appeal to the State Department or any other Government agency to suggest that perhaps they get a few more tanks or perhaps it was not ethical if we were giving them all of the taxpayers' money of the United States to help them defend themselves, or whatever the words would be, to put the bite on you to that extent?

Mr. DORSEY. If I understand the question, I might rephrase it, that—

Senator SYMINGTON. I wish you would, because I would like to be clear.

Mr. DORSEY. You really are getting enough out of the United States, why don't you leave us alone?

Senator SYMINGTON. Or could you not say to the U.S. Government, look, there is no reason we have to pay a bribe in order to be competitive in this country and inasmuch as 80 percent of our money is being given to a country that we are defending and we are only doing 1.3 percent business with that country, can you not help us out?

I will change the figure and make it accurate.

THE SITUATION IN KOREA

Mr. DORSEY. Well, it is very difficult after these years to create the atmosphere that existed in Korea at that time.

Senator SYMINGTON. Have you ever talked to the State Department about it at all, until it was broken?

Mr. DORSEY. No.

Senator SYMINGTON. Never have?

Mr. DORSEY. No, sir.

Senator SYMINGTON. It was always a bribe situation with you and presumably the head of the Government of Korea, South Korea?

Mr. DORSEY. The head of the political party, not the government. I make that distinction because I was dealing with a man—

Senator SYMINGTON. Who was head of the political party at that time?

Mr. DORSEY. S. K. Kim. I mentioned his name in my testimony.

Senator SYMINGTON. I am sorry, I am not as much up on this as I should be.

There is a great deal of other business that you do with other countries in other parts of the world, Far East and Middle East, but you do not have this problem with those other countries based on the \$10 million figure; is that correct?

Mr. DORSEY. If I may, it really was a very different situation. You were dealing with people that literally, as you well know, were pulling themselves up by their bootstraps and doing an incredible job of doing it, and during the situation that I think—

Senator SYMINGTON. Their bootstraps or our bootstraps?

Mr. DORSEY. Senator Symington, I respectfully say that I have never known people that really did more for themselves in my life.

Senator SYMINGTON. What people are you talking about?

Mr. DORSEY. The Korean people.

Senator SYMINGTON. You are not talking about the money they got from you?

Mr. DORSEY. I am talking about their attitude toward work, their attitude toward education, attitude toward improving themselves.

Senator SYMINGTON. I have the greatest respect for South Korea, do not misunderstand me, but I cannot understand why, with the exception of South Vietnam or India or France or Great Britain we have given them aid, military and economic aid, more than any other country in the world except South Vietnam. I do not see why, unless there

is something that has not come out, it was necessary for you to give them this additional under-the-table money to do business in that country. I just cannot figure it out.

Mr. DORSEY. Well, I do not see the relationship between our military spending in South Vietnam and anything we did. I presume military money goes for military purposes. I would only presume that.

Senator SYMINGTON. And economic aid would go for—

Mr. DORSEY. And economic aid—

Senator SYMINGTON [continuing]. Economic purposes?

Mr. DORSEY. But—

Senator SYMINGTON. What do you think this money went for?

KOREA'S USE OF THE MONEY

Mr. DORSEY. Well, I can tell you exactly how it was put to me. It was put to me that here we are, a struggling young democracy, which is true, we have been encouraged by your country to emulate you—that may not be their words—and we are trying to have democratic processes. As you know, it takes money to run an election. That is the way they put it to me. As you know, we as a party have no real way of raising money as you do in your country and we are, therefore, appealing to the business people, people who are doing business in our country, to raise this money, and without this money, we cannot accomplish the things that we are trying to accomplish. And I had substantial admiration for the government at that time, I thought it was doing a very good job, and they made a very cogent argument, I thought, but I do not see really any relationship between that and military or even other governments.

Senator CHURCH. May I make an observation here, Senator Symington? Would you yield for that purpose?

Senator SYMINGTON. Yes.

AMERICAN CONTRIBUTIONS ABROAD

Senator CHURCH. If other American companies in Korea did in fact make political contributions, which, as you have acknowledged, was contrary to Korean law, in these campaigns, in proportion to what Gulf made, then the American companies would have contributed between \$25 and \$30 million to these campaigns, which is an awful lot of money for conducting a campaign, even as measured by the contribution of businesses for the conduct of a national election in the United States.

Furthermore, with respect to your comment that with all due credit given the key reasons for what they have done, they pulled themselves up by their bootstraps, over this period the Government of the United States contributed a total of \$11,201 million to this small country in military and economic aid. So I suggest that Uncle Sam has handled one of those bootstraps awfully hard. Yet, by your testimony, despite the tremendous aid program that flowed into that country, at about \$400 million a year, and despite the direct connection that the American Government had with your particular investment, your aid money that it contributed and through insurance guarantees, Gulf never did tell the Government of the United States what was going on. The Embassy was never informed. Yet, you must have known the high

sensitivity of such a matter. You referred to it when you made your testimony to us this morning, severe political repercussions that are associated with any disclosure of this kind of contribution—sooner or later the truth comes out. So do you think it was a matter of national interest to the United States to know that these practices were underway, that they involved amounts of money of this magnitude. Why did you not tell the Government of your own country?

Mr. DORSEY. What you are saying sounds very reasonable today but this is a long time afterward.

Senator SYMINGTON. If I may continue, I just had a couple more questions here.

GULF'S REJECTION OF KOREAN DEMAND

You say that you visited Korea and there were heated discussions and you flatly rejected both the intensity of the measure being applied and the amount demanded, and in response to my position the \$10 million request was subsequently changed to \$3 million, to which I acquiesced, believing that the contribution would be in the best interests of the company.

So it was not the nature of the transaction, it was the amount of the transaction that was in your mind, is that correct?

Mr. DORSEY. Well, I do not know that was necessarily true. I would certainly rather hope the thing would never be brought up in the first place or go away, but it did not go away, it was persistent, and the real problem, of course, was the amount of money, but it was more than that.

Senator SYMINGTON. Well, I will finish my question. I am sure you are a good American, but this whole situation is beginning to worry a great many people about what we have to pay not only in other countries but in this country.

I noticed the name of the party, Democratic Republican Party. That covers a lot. There is not much left. It seems to me that everything we do in this country we do on the basis of national security.

I do not know if you read a book called, "Global Reach." If you have not, I think you would be interested in it.

Mr. DORSEY. Yes.

Senator SYMINGTON. Have you read it?

Mr. DORSEY. Yes, sir.

Senator SYMINGTON. Have you read a book called, "Power Play"?

Mr. DORSEY. I have it but I have not read it yet.

Senator SYMINGTON. I would hope that you would. I happen to believe that where you get the most criticism when it comes to national security is that we have not got enough weapons to handle the possible chief enemy. But to the best of my knowledge, I think we have far more than is necessary. On the other hand, I think a sound economy and a sound dollar is just as important to national security as the latest weapon system.

Now, you have a third situation which is coming into the picture, which is rather sad from the standpoint of this type and character of testimony, and that is the credibility of the people in the Government regardless of what party is in power. When you read of about 38 percent of the people voting in the last election, and one recently held in my State, 13 percent of the eligible voters voted. You can see that some-

thing is happening as a result of the relationships between the various component parts that make up our system, and it worries us a great deal.

I want to express my appreciation for your frankness this morning and I hope we can just get this story out. I think if there is any law that we can pass, we will do our best to try to improve this situation from the standpoint of new legislation. If you have any thoughts about any additional legislation that would help, in relationship to your various and vast investments abroad, I think the committee would appreciate them.

Mr. DORSEY. Thank you.

Senator SYMINGTON. Thank you for your courtesy.

Thank you, Mr. Chairman.

Senator CHURCH. Senator Percy.

PHILOSOPHICAL QUESTIONS

Senator PERCY. Mr. Dorsey, I would like to start with the broadest type of philosophical question but also one that enables you to assess the damages to date.

If you were to turn the clock back, and if you had taken a firm stand against any request to make illegal contributions and simply said it was against the law of your land, and I am not going to do it and it is against our principles and we are not going to do it, and you can do what you want to to us but we are not going to engage in it, and if you had taken every reasonable step that you could, through the United States Government, and through threatening to make this public disclosure in the country of the attempted solicitation, would you feel, looking back now, that possibly the damage, if you had taken that position, would be less to Gulf Oil Co. than the damage that you have so forthrightly testified and the agony and experience you have gone through, all of your employees and your Board and yourself and your officers, the damage would be greater now, having engaged in these practices, than it would have been if you had just taken a firm stand and stood up to the pressure?

Is it possible to put a balance sheet down in retrospect now? And I ask this question simply because I think every company in America doing business abroad is watching this hearing and will be looking now for advice and counsel from someone who has gone through the agony and borne the brunt of it.

GULF IN RETROSPECT

Mr. DORSEY. It is a very difficult question for me to answer because I suppose I have played both games or done both things.

There have been many instances where our company, and I suppose many other companies, could have gotten favorable concessions, favorable positions, favorable treatment, had we made substantial cash contributions in Swiss banks. I mean, the opportunities to do this are manifold.

We have never done that. We have never done that, to my knowledge, and I think that it is the sort of policy that I inherited. That apparently has been a loose policy but, nevertheless, a policy of the com-

pany for a long time. I think that that is probably a very logical policy because I think that there is no end to that. I think once you have succumbed to what basically is blackmail, or where you basically corrupted, can be accused of corruption, there is no end to that because basically, these things only happen in countries where there is a substantial political instability.

Senator PERCY. Going back to the question, if you could turn the clock back now, knowing the damages to your company because of this disclosure, would you feel Gulf would have been better off if it had taken a firm position it would not engage in any such illegality or immoral activity, knowing what I know today I would have run whatever the risks were at that time and suffered what business you may have lost?

Mr. DORSEY. Yes, sir.

Senator PERCY. Could you have fought it in another way rather than just caving in? Could you have through the State Department, through public disclosure, through getting tough yourself and toughing it out with these people who were putting pressure on you, do you think you could have minimized and cut down the damage? Was there any attempt to work with other American companies or other multinationals, whatever their origin, to see together if you could not stamp out this practice, because you are bidding against each other, in a sense?

Mr. DORSEY. No; we did not talk to any other companies and I doubt if we would do that under any circumstances.

As far as the American Government is concerned, you know until very recently, it may be a bit of overstatement, but not too much, to say that most American companies that went abroad and made substantial investments basically did it on their own, and as far as the U.S. Government was concerned, they were sort of like motherless children, they had to make their own way in the world, and I would point out to you the oil companies were encouraged by this Government after World War I to go abroad to get our stake in the Middle East, to do all these things. Immediately after we got there we were entirely overlooked, forgotten, or I could argue discriminated against. And in my own experience of working abroad, I can tell you that the U.S. State Department until very recently, and the U.S. Congress either, had damn little interest in our welfare. All at once everybody is concerned about us, they want to help us, but it is a little bit late. We have lost almost what we have had abroad. What we have not lost we will very shortly.

STATE DEPARTMENT HELP

Senator PERCY. When was the last time you went to the State Department as a company and presented a problem to them and said give us your help in this area? I am talking in the general area of political pressure and individual pressure on you for contributions, illegal or immoral.

Mr. DORSEY. Well, I would say that the first time we have had any encouragement to come to the State Department has been over the period of the last 2 or 3 years.

Senator PERCY. When was the last time you actually did go, though you said in the past, in your earlier testimony, you said you really did not go to them because you did not get any help before that, implying you did go at one time.

When did Gulf Oil or any officer or employee of Gulf go to the State Department and ask for help in this regard?

Mr. DORSEY. The last time?

Senator PERCY. Yes.

Mr. DORSEY. I am sure that it would have been within the last few months.

Senator PERCY. And what kind of help did you get? What kind of position did they take?

I am looking to reference your earlier comment that you did not go to the State Department in response to a question put to you because you say that you felt you would get no help whatsoever based on your past experience.

What was that past experience, when was it, and who was it that you contacted and what did they say to you that discouraged you from taking the large cases, \$3 million and so forth, at the time they occurred in 1966?

THREATS OF LOSS OF FOREIGN ASSETS

Mr. DORSEY. Well, let me go back and answer your first question.

Over the past 3 or 4 years we have been obviously threatened with a loss of all of our foreign assets or at least our foreign production. The State Department has taken a very active interest in what is going on and has invited us in and we have gone to them on our own many times to seek their help, to talk to them, to do what we could, but I say before that, if I were in a given country around the world and you had an investment there, and you went to the Ambassador of that country with a problem you thought legitimate, I would say over the 20 or 30 years of my foreign experience you were very unlikely to get a very receptive answer or any expression of interest on his part so, therefore, you sort of get in the habit of not going, or when you go you get platitudes. So I would think it has been only in the last 3 or 4 years this has changed.

Senator PERCY. Pretty hard to get a platitude, though. I was given a gift above \$50 in a country, I took it right to the American Ambassador and said, this is a diplomatic problem, you figure out how to get rid of it, and he took it right back to the person who gave it to me without any if's, and's, or but's. I figured he ought to figure out how to best do it so as to least offend the person, and he did. It was his job and he has done it before.

When you were pressured for \$3 million, \$10 million, to start with, would that not have been a significant enough thing to have talked to the ambassador in Korea? Who was ambassador at the time—Phil Habib?

Mr. DORSEY. Habib was not there in 1966.

Senator PERCY. Did you not feel that there was an ambassador of competence you could have taken that problem to and discussed it with him? Because your statements are very demeaning of the State Department. It is not the State Department I have worked with and dealt with for 25 or 30 years in doing business abroad as well as a Senator.

I found them reasonably responsive and understanding and helpful and practical about how you go about it.

Mr. DORSEY. Well, I simply regret that that really has not been my experience over a long, long period of time, although I would hasten to add that Phil Habib, in my opinion, was an outstanding man when he was in Korea, he was very helpful, and I have made that exception that we did get from the AID in Korea, we got a great deal of help.

To answer your question, I can only say this: I do not know, I suppose at first the decisionmaking process says they have got us and we have got to make the best deal we can, we have got to pay. I suppose I then reasoned that to go to the ambassador of the United States and to acquaint him with the fact that we feel we must, would have been an embarrassment to him and I would just as soon as not do it.

Senator PERCY. I know when John McCloy was your special chairman in your committee, he testified before us, the London Policy Group always received help from the U.S. Government to allow oil companies to negotiate as a group with the oil exporting countries. I never heard in that testimony that our Government was impotent and incapable of offering assistance and help or facing up to these problems. I would like to ask—

Mr. DORSEY. I did make that exception that during the time McCloy and these groups, obviously, the State Department was working very closely.

THE KOREAN REQUEST

Senator PERCY. In the 1971 national election in Korea, you indicated that you were advised, when you were in Pittsburgh, of the request for \$10 million.

You said, "a short while thereafter I had occasion to be in Korea," implying that there was some other business that was important and while you were there, incidentally you started the bargain process with them on this particular contribution.

What was the nature of your business, Mr. Dorsey, that took you to Korea? When was the request transmitted to you in Pittsburgh, and how soon afterward did you go to Korea, what was the nature of your business in Korea, other than to discuss with the party official this contribution request?

Mr. DORSEY. Well, I do not know precisely at the time but I would guess it probably was within 30 or 40 days from the time I heard about it and was there. As to why I was there, I am not sure. During that period of time, beginning rather early, I had a basic responsibility in Korea and I went rather often. I went several times a year. We always had interests in Japan and Taiwan and Hong Kong, many other places.

Senator PERCY. On this particular trip did you go to Japan and Taiwan and Hong Kong?

Mr. DORSEY. I would have to look at my passport to know. I really do not know. Normally, I did and I expect I did this time. But as to why I was there, I cannot say. I would point out that during this period—

Senator PERCY. Was the trip essentially, though, because of this request?

Mr. DORSEY. No.

Senator PERCY. Here you are threatened with possibly losing your whole position there, and a demand, pressing demand for \$10 million.

That seems to me a rather moral issue and I wondered whether you could not deduce the real purpose of your trip was to take care of this matter and handle it, was it an incidental part of your trip? Because that is the implication, you say you had occasion to be in Korea and witness firsthand the pressure being exerted.

Mr. DORSEY. Well, these are very difficult things to remember. I can only reason that in 1966 I did not go to Korea. In 1970 I did. I went rather often. Quite honestly, if I had to speculate, my speculation would be that I would have attempted to avoid this kind of pressure because basically, once they get to me on an issue like this it is do or die, there is no buckpassing at this point.

Senator PERCY. That is right.

Mr. DORSEY. So, my normal instinct, I think, would have to be to avoid it and let some other poor devil out there take all the flack and fight it out. So I might have had another very good reason for being there.

Senator PERCY. That is right. And that is why the haziness of your memory on this issue, it seems to me, burned into your memory as to why you would take the initial action when ordinarily these things were done by other officers in the company, to personally intervene on this particular matter.

Mr. DORSEY. Well, I did not intervene. My recollection is I was very surprised that indeed, they came to me. I did not expect to be. Normally, this was not what you would expect.

Senator PERCY. In other words, you were in Pittsburgh, you knew about it, you went to Korea, and they broached it with you before you raised the subject with them?

Mr. DORSEY. Absolutely. I could not have been more shocked and more surprised as to what happened. I got there and this Mr. Kim, who had to be, I suppose, about as tough a man as I have been accosted by in my life, invited me out to his home. He got me in his home and I tell you I have never suffered the kind of abuse I got from him that day. He left no question, he was a plain rough and tough fundraiser and that is what he does.

ROLE OF PRESIDENT PARK

Senator PERCY. Did he at any time in that conversation invoke the name of President Park and indicate that he was acting under his direction? After all, he is party chairman but he serves at the will of the President, does he not?

Mr. DORSEY. He was not party chairman, he was the fundraiser for the party. This is S. K. Kim.

Senator PERCY. He was finance chairman?

Mr. DORSEY. Yes, sir.

Senator PERCY. Did he at any time use the name of President Park or invoke that name to indicate what he was requesting had the full support and backing of President Park, or any top official of the Government of South Korea?

Mr. DORSEY. I cannot recall that. It would not surprise me. If anybody came to me in the United States, they would invoke as high a name as they possibly could under any circumstances, you know. That if he did it did not mean anything to me.

I was asked several years ago—I worked in a savings bond program for a number of years and I was asked to be national chairman one year and I was thinking about it, innocuous enough, the man that called me up and asked me to do it said something very much like that. Hell, I would have done the job anyway, I did not have to have that kind of treatment. Nevertheless, this is what happens. So, if he did I would not be surprised. I cannot say whether he did or did not.

Senator PERCY. You cannot recall whether he invoked the name of President Park?

Mr. DORSEY. I would doubt it because President Park is held among all those people in his party and in his government—

INVOLVEMENT OF OTHER COMPANIES

Senator PERCY. You have knowledge that other American companies did make contributions and that you were not just singled out and being made the target to bear the full brunt of this cost?

Mr. DORSEY. Well, I was told by the fundraiser that all foreign companies were expected and I think he told me that some had.

Senator PERCY. But that they did make—

Mr. DORSEY. Yes, sir.

Senator PERCY. He said to you they had made contributions and you were expected to do the same thing?

Mr. DORSEY. Yes, sir.

Senator PERCY. Taking into account the Chair's question and calculation as to how much this might have amounted to, assuming that would be a huge sum here in this country, certainly almost as big in itself as any political campaign before the 1972 campaign, which reached proportions that are new highs, or lows—[Laughter.] [Continuing]—\$25 or \$30 million could not possibly be spent, and anyone out there observing it and observing the process, and I have been there a number of times, would know that that money was not spent for the political Democratic Republican process of electing President Park or electing anyone who had the kind of control that he had when he did not even permit opposition.

Did you suspect or feel that pay-offs were being made and part of this money was being used for officials and individual bribes in a sense, or contributions to individuals?

Mr. DORSEY. No, I certainly had no reason to believe that.

GULF'S CONTRIBUTIONS TO OTHERS

Senator PERCY. Has Gulf at any time ever made a monetary contribution to an official of another government or a party official or a wife or spouse, as it is frequently done in some Asian countries? You do it to the wife, not to the principal himself.

Has Gulf ever made a contribution to an individual of that kind of any significance other than the helicopter that you have already testified to?

Mr. DORSEY. Other than that, to my knowledge, no.

Senator PERCY. No individual contribution.

DISTRIBUTION OF GULF'S CONTRIBUTION

What, Mr. Dorsey, was your feeling as to how much of this \$10 million request, \$3 million actually paid, went into the party coffers and how much went into someone's pocket? Did you suspect part of the political request was in accordance with the customs and mores of the country?

Mr. DORSEY. I certainly have no way of knowing. I would say this. That, as far as I know, we did not suffer what seems to be the normal sort of harassment of, you have got to do a little something for the custom man to get certain things done. As far as I know, this had not happened in Korea.

BARGAINING WITH MR. KIM

Senator PERCY. You said in your testimony you had two discussions with an official of the party and you flatly rejected both the intensity of the pressure being applied and the amount demanded. You bargained them down from \$10 million to \$8 million.

What reasoning did you use and did you attempt to get it down to zero and take a position during the course of the heated conversation with Mr. Kim that you were not going to pay anything, or was it just a question of bargaining as to how much it was going to be, not whether the contribution was to be made?

Mr. DORSEY. I am afraid I had made up my mind by that time we were damn well going to pay something. I was simply trying to reduce the amount.

Senator PERCY. You were bargaining on the amount.

THE PUBLIC EDUCATION FUND

Finally, because I would like to yield to Senator Clark and then come back—I would like to ask on the contribution of \$50,000 that you indicated that had been set up in a fund, and that a part of that was used or it was set up for the purpose of public relations expenses, was the name Gulf Oil, did the name Gulf Oil ever appear on any publicity releases or advertisements or public information put out for that \$50,000 expenditure?

Mr. DORSEY. I do not think so. I am not aware of it if it did.

Senator PERCY. Can you furnish to this subcommittee exhibits as to the type of ads, the type of publicity release, public information, that went out as a result of your expenditures?

Mr. DORSEY. Yes, I said we would give everything on this subject that we can find.

Senator PERCY. All right. Fine.

Senator CHURCH. Senator Clark.

Senator CLARK. Thank you, Mr. Chairman.

LAUNDERING OF THE FUNDS

Mr. Dorsey, is it fair to say that Gulf Oil Corp. violated the laws of Korea and the United States in making political contributions in the amount of about \$10 million, and that you laundered that money through a Bahamas company so it would not be easily discovered?

Is that all fair, in your judgment, to say and, if not, which part is not?

Mr. DORSEY. Well, it is a rather comprehensive question.

I testified here today to about \$5 million that went abroad that largely went through the Bahamas corporation that was not illegal in the United States and apparently was illegal, some of it, where it was spent, yes.

As to the amount of money, the rest of the \$10 million, I know what the investigation has turned up, and that is that around \$5 million, the remainder of it, was spent in the United States for political reasons.

Senator CLARK. That was illegal, was it not?

Mr. DORSEY. It appeared a large part of it, but I was not sure entirely that the rest of it was.

Senator CLARK. Your testimony on page 2 says \$10.3 million of corporate funds.

I assume all corporate funds that are contributed in the United States are illegal?

Mr. DORSEY. I do not think they were all contributions.

Senator CLARK. I see.

Let us change that to say, is it fair to say that the Gulf Oil Co. violated the laws in Korea and the United States to make political contributions and laundered it through a Bahamas company? Is that fair?

Mr. DORSEY. Well, I think it is fair they made illegal contributions. Laundering is your phrase. I am not sure what I know—

Senator CLARK. Why did you put it through the Bahamas company rather than make it direct?

Mr. DORSEY. Yes, sir.

OTHER CORPORATIONS' CONTRIBUTIONS

Senator CLARK. Now do you think that your multinational corporation is any worse or any different in that practice, or do most of them do it, in your judgment?

Mr. DORSEY. Well, I would like to think that we are a lot worse but I do not have any good reason to think that.

Senator CLARK. I think you are right, it is very common practice.

VIOLATIONS OF EXISTING LAWS

I would just like to ask you about three or four statements or comments in your testimony and just ask you to turn to those so we are talking about the same point.

First, on page 20, the very bottom of the page, the last paragraph. You are speaking here to the committee. Our chairman raised this point and I think Senator Percy did also. You are speaking to the committee and say:

But you can help us and many other multinational companies which are confronted with this problem by enacting legislation that would outlaw any foreign contributions by any American company. Such a statute on our books would make it easier to resist the very intensive pressures which are placed upon us from time to time. If we can cite our law which says that we just may not do it, we would be in a better position to resist these pressures and to refuse the requests.

But in point of fact, you have already violated both American law and Korean law. What would one more law mean to you in this respect? Why would that help you?

Mr. DORSEY. I am not speaking to the U.S. matter, I am speaking to the foreign matter.

Senator CLARK. You violated U.S. law in your contribution to the Committee to Re-Elect the President.

Mr. DORSEY. Are you saying I am a rascal and no matter what—

Senator CLARK. I am saying I am curious why one more law would be more effective than the laws that are already on the books, which you openly admit you violated?

Mr. DORSEY. Because there is no law, no U.S. law that says our contribution to Korea was illegal in the United States.

Senator CLARK. You are saying you would be more apt to abide by that law than the law that forbids corporate contributions to American parties?

Mr. DORSEY. We are constrained by many U.S. laws about what we do abroad and as far as I know, we have honored every one of them.

Senator CLARK. You did not honor the Korean law.

Mr. DORSEY. The Korean law, as far as I was concerned at that time, I was under the impression, as I testified when I was here last time—I was under the impression and it seemed to be a very difficult law to interpret, and that is not only true of Korea, it is very true if you go to Japan or Taiwan. If you try to interpret their laws you can get into some very confused areas.

Senator CLARK. You interpreted it in your testimony to have been a violation of the Korean law?

Mr. SEAMANS. May I interject? I think his testimony, including his executive testimony, was he did not know it then but has since been advised there are opinions that way. And may I help if I say it is not only difficult to interpret, it is difficult to find when you are looking for—

Senator CLARK. Do you have some question about the legality of that contribution under Korean law now?

Mr. SEAMANS. We have been advised by people who are probably closer than we, it is illegal.

Senator CLARK. And you would subscribe to the idea that ignorance of the law is no reason?

Mr. SEAMANS. I am merely pointing to the practical problem. If he had asked for our law office to find the legality of the Korean situation we would not have known where to look.

Senator CLARK. Let me ask you about page 14, in the middle of the page. In the very middle you say, I believed at the time that such a contribution was both proper and legal under both American and Korean law. I have recently been advised that they were in fact in violation of the Korean statute.

So you do believe in fact that they are a violation of Korean statute now?

Mr. DORSEY. Of course.

Senator CLARK. I wanted to be sure that was established.

Page 12, middle of paragraph, first three sentences; bear with me while I read this.

It was this background that gave rise to the demand in 1968 that the company make a substantial contribution to the campaign of the Democratic Republican Party, which was then and still is the ruling party in South Korea. Our investigation indicates that the demand was made by a high party official and was accompanied by pressure which left little to the imagination as to what would occur if the company would choose to turn its back on the request. At that time the company had already made a huge investment in Korea.

Do you interpret that payment to have been a contribution or a bribe?

Mr. DORSEY. A political contribution.

Senator CLARK. To the Democratic Republican Party?

Mr. DORSEY. Yes, sir.

Senator CLARK. Now, you discussed with Senator Symington about the democratic development of South Korea and talked about contributing to that, and in fact was not your illegal contribution an interference in that democratic process?

Mr. DORSEY. I would have to admit that now, yes.

SUPPORT OF THE DEMOCRATIC REPUBLICAN PARTY

Senator CLARK. And I was interested in why you feel that the Democratic Republican Party is more democratic than the New Democratic Party whom they opposed and in a very close election? Why did you support the Democratic Republican Party rather than the New Democratic Party?

Mr. DORSEY. Well, I suppose as a matter of pragmatism this was the party that was in power when we came into the country when we made our investments. There was every indication that they were a powerful party and that they probably would be reelected, but I guess most of all, you have got to understand this—or at least I would ask you to. Against a background of any foreign country, any American company living abroad, working abroad outside of certain areas like most of Western Europe, you really are there by sufferance and that is made clear to you in subtle ways. You are made to feel that from the time you got there and as I say, the more investment you make the more you are given subtlety to understand it.

Senator CLARK. Well, as you may know, the Democratic Republican Party won that election by only 51 percent. It is conceivable, it seems to me, that your contribution may have made the difference. Do you think that is possible?

Mr. DORSEY. Statistically I would have to admit you are right.

Senator CLARK. But you do not feel any more strongly, your company or you, or whoever made the determination, that the party you supported was any more democratic or has any better tradition than the party you did not support. You did it, I assume, out of the interest of your stockholders?

Mr. DORSEY. Exactly.

Senator CLARK. Now I have only two more questions.

PRESERVING INVESTMENT IN SHAREHOLDER'S INTEREST

First, on page 10, middle paragraph, it is really a little more on what we were just talking about. You say—this is in the middle paragraph down in the second sentence—"I felt at the time and under the

pressure applied that I had taken the right course in order to preserve our investment in our shareholders' interest."

You repeat that again on the bottom of page 12 by simply saying, "I carefully weighed demand for contribution in that light and my decision to make contribution of \$1 million was based upon what I sincerely considered to be in the best interest of the company and its shareholders." This was the sole basis of your decision; I assume it was not something that had to do with the national interest of the United States. That, I assume, is not your responsibility. You make decisions on these contributions solely on profit motives for the stockholders' interest, is that correct?

Mr. DORSEY. Exactly right.

Senator CLARK. I think Senator Symington referred to a couple of studies of multinational corporations in which that point is made over and over again, and I think you are quite right in saying that.

I have two more questions.

THE NATIONAL INTEREST

One, if you turn to page 9, again something Senator Symington read, at the top of the page, an interesting philosophical statement, which I believe again represents accurately the—

Senator PERCY. Senator Clark, the last comment you made, if you would not mind, it bothers me a little bit.

Senator CLARK. I really not only made it—

Senator PERCY. I am not a spokesman for multinational corporations but I cannot believe that any board rooms when decisions are made, many times what the national interest is comes up as a paramount consideration and that they many times make decisions based upon the national interest.

I can recall in 1954 debating this with my board as to whether I support the tariff policy of my industry, which was a high tariff, or go for what we wanted as a Nation, reciprocal reductions, including everything that we manufactured, and we decided and the board decided that we could not put the company's interest out ahead of the country's interest. We had to adjust and not ask the country, and I cannot help but believe that same debate goes on many, many times and really should, and I would not want the implication left that we would condone a company not taking into account their own country's national interest in a decision they make and only the profit motive should govern their decision.

I do not think you meant to imply that at all, but I felt that the record might stand that way and I want to give you a chance to just comment on it.

COMPANIES OPERATE FOR SHAREHOLDER RATHER THAN NATIONAL INTEREST

Senator CLARK. I certainly do not question that the shareholders or the board discusses the national interest. I was simply trying to establish it is their job, and I think Mr. Dorsey just confirmed that, to operate their company in the interest of the shareholders, not in the national interest. That is not their responsibility to determine what the national interest is. It is the board of directors' position to

determine what the shareholders' interests are, that is their responsibility, and that is the basis, I think Mr. Dorsey has testified upon which this contribution was made. If I am inaccurate in that, Mr. Dorsey, I would like to have you correct me.

Mr. DORSEY. No, no, I quite agree with that, that is precisely what I said, passing no judgment one way or the other about the national interest of the United States.

CHANGING MORAL AND CULTURAL STANDARDS OF THE WORLD

Senator CLARK. Top of page 9, I think I would not read this all, just a couple of sentences:

"There is no universal ethical absolute."

"In the course of your responsibilities as United States Senators, most of you have travelled all around the world."

When you talk in that first paragraph about the changing moral and cultural standards in the world, is the purpose of this paragraph to point out in part you adjust to the morality of the country that you operate in, you do in Rome as the Romans do? What is the purpose of that paragraph?

Mr. DORSEY. Well, that may be putting it a little bit bluntly but actually, that quotation is a pejorative quotation, if I may say so. I think on the other hand, it can be said if you are going to do business in any foreign country that you really are going to do business within the ambience that exists there within the culture and mores, and that is right and you had best understand it when you get there and even then you will be surprised.

ADJUSTING ETHICAL STANDARDS

Senator CLARK. So multinational corporations, I agree with what you are saying, do adjust their ethical standards and morality to fit the condition in which they operate, just as they do the economies in which they operate, or any other part of that country's operation. You could not operate otherwise, could you?

Mr. DORSEY. I think that is correct, you could not.

PROMOTION OF THE ARAB CAUSE

Senator CLARK. The last question, Senator Church's question on your activity in the Middle East, on page 17, middle of the second sentence, you say, "It appears that the amount was made available through the First National City Bank, Beirut, Lebanon, for the purpose of helping to defray the expenses of a public education program endeavoring to bring about a better understanding in America of the Arab-Israeli conflict."

And that you have testified, I think, from the Arab point of view.

Mr. DORSEY. Exactly.

Senator CLARK. Is it fair to say that you were promoting the Arab cause to better your relations with the Arab or oil producing countries, again in the interest of your shareholders, or did you have other motives?

Mr. DORSEY. I think this might be one case where our interest coincided with that of the United States. There were really billions of

barrels of oil and we are now paying the price really, for lack of attention there, I think.

Senator CLARK. Again, your decision was not based on that, it was based on shareholders' interest, not on the interest of the United States?

Mr. DORSEY. It was based on the shareholder interest.

Senator CLARK. You undertook those expenditures because you felt it was in the best economic interest of your corporation?

Mr. DORSEY. Just as if we had in Yugoslavia and they wanted to have an exhibit in the World's Fair, they might have asked us for a contribution to put it on and we probably would have done it.

Senator CLARK. If that had been to promote the Tito Government of Yugoslavia—

Mr. DORSEY. I did not say that, you are saying things I am not.

Senator CLARK. I am asking—

Mr. DORSEY. That was not the example that I used. Let us get away from the Tito government.

Senator CLARK. OK. I think you have been most direct and responsive and I appreciate it.

Senator CHURCH. Senator Clark requested permission of the Chair to read a sentence or two into the record.

THE WASHINGTON POST ARTICLE

Senator CLARK. I thought it might be appropriate in relation to the contribution to the Democratic Republican Party, the government of Mr. Park, to simply read the first sentence from the Washington Post front page story of last Wednesday, May 14 which says, "South Korea President Park Chung Hee issued a sweeping presidential edict today banning virtually all internal dissent on threat of prison terms of up to 15 years."

Thank you, Mr. Chairman.

Senator CHURCH. Well, that eliminates the problem of further campaign contributions.

Senator CLARK. It should.

THE GULF INVESTMENT IN KOREA

Senator CHURCH. Mr. Dorsey, can you briefly describe for the record, the nature and extent of the Gulf investment in Korea?

Mr. DORSEY. I am sorry. I could not hear for the noise.

Senator CHURCH. Would you please describe for the record, the Gulf Oil Co.'s investment in Korea?

Mr. DORSEY. I can give it to you in any amount of detail you want.

Senator CHURCH. Give us some idea of its nature and its size.

Mr. DORSEY. We went in in 1963 and invested \$25 million in a half interest in a rather small refinery. Our partner was the Government. It was the first refinery built in that country and it basically satisfied their demand at the time.

They had an increase in GNP that was phenomenal, had an increase in energy requirement that was unbelievable, even more than that of Japan. So that over a matter of 6 or 7 or 8 years this had grown, this 25,000 barrels a day of product made, had grown by a factor of 10 or 11. So, between 1963 and 1970 our refining capacity went from—

ours and the Governments—went from 25,000 barrels a day to 250,000 barrels, and we increased tenfold.

In the meantime, two other oil companies had come in and built big refineries themselves. We were building, we were involved with the Government in a fertilizer plant so they would not have to import fertilizer, at the strong recommendation of U.S. AID authorities and Agriculture. We had been sort of persuaded to expand into the petrochemicals. We made rather large investments there to help them out as much as anything else, I suppose. We engaged in a large shipbuilding program in Korea. We got competitive prices, but a large shipbuilding program. In another rather common practice, in order to enable other industries and big users of energy to expand we had loaned money in to the cement industry and power industry, a very common practice. So that in about 7 or 8 years we had gone from an investment of \$25 million to an overall investment and exposure in excess of \$300 million.

U.S. GOVERNMENT INSURANCE

Senator CHURCH. And how much of that \$300 million is covered by insurance furnished to you by the Government of the United States?

Mr. DORSEY. I do not know at the moment. It has varied because the United States has varied its policies and rules over the period of time. It could be zero at the moment. I do not know but I would be glad to furnish the information. I know OPIC, I talked with them some 2 years ago and had the impression we did not have a great deal at that time.

Senator CHURCH. We have partial information but we do not have the complete information about the current risk exposure of the U.S. Government with respect to this investment.

We would appreciate it if your company would furnish us with current and complete information.

[The information referred to follows:]

SECTION A—GULF'S INVESTMENTS IN KOREA—THOSE CARRYING AID/OPIC COVERAGE

1. Korea Oil Corp.

A. INVESTMENT

Equity

(1) \$4.8 million under Stock Subscription Agreement dated Sept. 23, 1963—for 25% equity of KOCO.

(2) \$25 million under Second Stock Subscription Agreement dated June 19, 1970 by which Gulf's equity in KOCO increased to 50%.

Loans

\$20 million under Agreement dated 9/23/63 \$30 million under loan Agreements dated Aug. 3, 1967.

\$25.1 million under loan Agreements dated June 19, 1970.

Use of funds

Under 1963 agreements—construction of refinery.

Under 1967 agreements—construction of Naptha cracker, terminal and buoy facilities.

Under 1970 agreements—expansion of refinery.

B. OPIC COVERAGE

The maximum coverage was taken during the period 1964 to 1970. The maximum coverage allowable for equity investments was 200% for inconvertibility and expropriation and 100% for war risk. Gulf reached an understanding with OPIC, which is contained in a letter agreement dated March, 1967, whereby OPIC insurance would be available for its investments in the refinery expansion providing a reduction took place in the amount of OPIC insurance for Gulf's existing investments in Korea.

In 1972 and 1973, the maximum amount of OPIC coverage selected by Gulf was substantially reduced in accordance with a new corporate policy. This policy stated that the following amounts of insurance should be purchased:

(1) to cover the risk of inconvertibility—three years expected dividends for Gulf's equity investment and the sum of three years payments of principal plus interest on Gulf's loans to Korean companies.

(2) to cover risk of expropriation—a nominal amount which would be sufficient to involve OPIC in any dispute with the Government of Korea.

(3) to cover war risk—In order to cover the risk of sabotage, the amount of current coverage taken corresponded to the cost of the most expensive single piece of equipment in the refinery complex. The maximum amount selected corresponded to the ceiling established under the OPIC contract.

In 1974/1975, due to the deteriorating balance of payments and economic situation in Korea, the amount of insurance placed under the Current Section of the OPIC contract corresponded to the Maximum amount of insurance that Gulf could obtain. This situation differed to some extent from earlier years, where the maximum insurance was divided between the Current and Standby Sections of the contract. At the beginning of each contract year, we decide internally how much of the maximum insurance should be placed in the Current Section and how much in the Standby Section. The amount of any claim against OPIC is limited to the amount in the Current Section.

2. Chinhae Chemical Company

A. INVESTMENT

Gulf Oil (Great Britain) Ltd., a wholly-owned subsidiary of Gulf Oil Corporation, which is incorporated in the United Kingdom, purchased 50% of the shares of Chinhae for \$10.5 million under a Stock Subscription Contract dated July 7, 1965. On December 23, 1974, Gulf Oil (Great Britain) (GOGB) sold 50% of its 50% interest to International Minerals and Chemical Company.

AID made a loan of the Republic of Korea in the amount of \$24.6 million under an Agreement dated June 11, 1965. The Republic of Korea, in turn, lent Chinhae an equivalent amount in Korean currency.

B. OPIC COVERAGE

The extent of OPIC coverage taken by GOGB and the rationale behind such coverage corresponds very closely to that of Gulf Oil Corporation's equity investment in Korea Oil Corporation, namely, maximum coverage years 1965 through 1970, a substantial reduction in accordance with our agreement with OPIC of March, 1971 and a further reduction in 1972/1973 in accordance with the new corporate policy.

In December, 1974, the purchaser of GOGB's shares acquired, with the consent of OPIC, 50% of GOGB's OPIC coverage.

3. Gulf Oil Corporation Loans to Companies Which Are In No Way Related To Gulf

All the loans mentioned below were made as an incentive for the borrower to enter into long-term fuel oil purchase contracts with Korea Oil Corporation, who in turn purchased the crude oil from Gulf.

I. \$8 million to Ssang Yong Cement Company under an agreement dated July 7, 1969.

II. \$5 million to Tonghae Electric Company under an agreement dated July 30, 1969.

III. \$30 million to Korea Electric Company under an agreement dated February 27, 1969.

OPIC COVERAGE

In 1969 and 1970 the maximum amount of OPIC insurance was obtained for these loans. This insurance encompassed convertibility, expropriation and war risk coverage. Under the March, 1971 agreement with OPIC, the insurance was reduced to cover inconvertibility only. The amounts of insurance taken was reduced in 1973 in accordance with the previously described corporate policy. The amounts included in the Current Section of the contracts were increased to the maximum possible in 1975 as a result of deteriorating balance of payments position of Korea.

SECTION B—GULF INVESTMENTS/LOANS IN KOREA WHICH DO NOT CARRY OPIC INSURANCE

1. A-JIN CHEMICAL COMPANY, LTD.

Under agreement signed May 5, 1966, U-Jin and Gulf Oil agreed to form a joint venture company (A-Jin) to manufacture polyethylene bags. During 1977, Gulf (Gulf Oil Great Britain) purchased a total of 85,350 shares for a total cost of \$311,945.

2. KOREAN LUBRICANTS COMPANY, LTD.

On December 7, 1968, Korea Oil Corporation (KOCO) and Gulf agreed to form a joint venture company to construct, own and operate a lubricating oil and grease manufacturing plant. This project never reached fruition. As originally structured, Gulf would have put up \$5 million in equity, loaned \$5 million to KOCO (which KOCO would contribute as equity), and loaned \$30 million to the new company.

3. HEUNG KUK SANG SA

Under an agreement dated July 24, 1967, Gulf made an equity contribution of \$.5 million to KHSS, and loaned an additional \$1.5 million. In July, 1969, Gulf contributed an additional \$2 million in equity (to increase ownership to 50%) and made a \$5.8 million loan. IKSS is a marketing company. In 1972, Gulf sold its 50% interest in KOCO.

4. KOREAN FLAG TANKERS

Gulf currently has two VLCC tankers under long-term charter with a capitalized value of approximately \$52 million. The tankers are financed via loans from Gulf.

In addition, Gulf has three vessels, each of less than 50,000 D.W.Tons, under charter. The remaining payments under these charters, all of which expire in 1975, will be some \$3.6 million.

OPIC—EXISTING CONTRACTS OF GUARANTEE

[Key: C=convertibility; E=expropriation; WR=war risk; E=equity; L=loan]

Contract date	Contract No.	Type of coverage	Equity or loan	Maximum	Current coverage
KOCO:					
Nov. 8	1588 AA	C	E	\$7,500,000	\$7,500,000
Do	1589 AB	C	E	20,000,000	20,000,000
Do	1590 BA	E	E	3,200,000	3,200,000
Do	1591 BB	E	L	17,000,000	17,000,000
Do	1592 CC	WR	E & L	40,000,000	10,000,000
Old KOCO total				87,700,000	57,000,000
Mar. 9	8031 AA	C	E	10,000,000	10,000,000
Do	8031 BA	C	E	10,800,000	10,800,000
Do	8031 AB	E	E	4,000,000	4,000,000
Do	8031 BB	E	E	4,000,000	4,000,000
Do	8031 AC	WR	E	9,000,000	9,000,000
Do	8031 BC	WR	L	11,000,000	11,000,000
New KOCO total				48,800,000	48,800,000
KOCO total				136,500,000	106,500,000
Korea Electric: Apr. 22	6292 AB	C	L	16,425,000	16,425,000
Ssang Yong: Jan. 16	7018 AB	C	L	3,995,000	3,995,000
Tonghae (Now Korea Electric): Jan. 16	7019 AB	C	L	2,497,000	2,497,000
Chinhas:					
Sept. 3	5350 AA	C	E	5,250,000	1,700,000
Do	5350 BA	E	E	1,000,000	250,000
Do	5350 CA	WR	E	1,000,000	1,000,000
Chinhas total				7,250,000	2,950,000
Total Korea				166,667,000	132,367,000

MONEYS TO FOREIGN OFFICIALS IN THE UNITED STATES

Senator CHURCH. I have one other question to raise with you. In your testimony you referred to the money that had been funneled through the Bahamas bank, and you have given us a full accounting insofar as you are able at this time, what was done with that money abroad. But from your statement, approximately half of the money came back into the United States.

Now you have given us no accounting of that part of the money, and my question is, this being a Foreign Relations Subcommittee and our principal interest being impact of multinational corporations and their policies upon our foreign policy—I want to ask you did any of the money that came back into the United States go to foreign officials in Washington or any other foreign official in any other part of the United States?

Mr. DORSEY. Not that I know of, certainly not.

Senator CHURCH. Did any of it, to your knowledge, go within the country for the purpose of influencing our foreign policy abroad?

Mr. DORSEY. Not to my knowledge, no.

Senator CHURCH. The only direct undertaking of that kind then relates to what you have already testified to in connection with the Arab public relations campaign that Gulf helped finance.

Mr. DORSEY. I think that is right.

Senator CHURCH. I think you have indicated any further information that may surface as a result of the ongoing investigation would be made available to the committee.

Mr. DORSEY. You may be assured of that.

Senator CHURCH. Yes, I am through with my questions, Mr. Dorsey, but before I turn to whatever further questions there may be, I want to tell you that I think you have been exceedingly forthright today and that your responses to the questions of this committee have been candid, have all the appearances of having been, and I believe them to be candid and direct, and I want to express the appreciation of the committee for the way you have conducted yourself in this hearing.

Senator Percy.

SENATOR PERCY'S COMMENTS

Senator PERCY. I would like to follow up on two of the comments that Senator Clark has made. One, the quotation that he just read from the Washington Post.

One of the last trips I made to South Korea I reported back to the Senate my deep concern about internal conditions, the use of the internal CIA in Korea, the stamping out or closing down of campuses, and in a conversation that I had with President Park I asked why when he made the unusual move of revising the Constitution, so that he could have another term of office, which was barred by the present Constitution, put forth a new Constitution and did not permit any opposition to it. From everything I could see, he would have won the new Constitution by a 60 to 65 to 70 percent margin, yet he won with a 91 percent margin, in a great deal of turmoil because there was no opposition permitted of any kind. And I asked him why, why would you not have been better to permit opposition and won a clear majority without the criticism that would flow, and he answered it would be just too confusing to the people to have opposition permitted.

And it is confusing in a democracy. A republic is a confusing form of government, I suppose, to many people, but we think it is well worth fighting for.

One of the corrosive parts of the problem is that it does permit a great deal of freedom. Why I am so deeply concerned about a statement of policy that the corporate head has only to look to the interest of the stockholders without taking into account the country interest, you could use then that philosophy too, in Cook County, pay off the assessor to get a tax reduction, which would do injury to the schools, have the corporations pay less amounts than they should for property assessment and property taxes, for education purposes, and place a much greater burden on individual citizens.

I want to give you the chance to clarify that that is not a standard that should then be used in any instance for corporate decisionmaking, that that is not the only way you make corporate decisions, that you do look at the overall interest.

Mr. DORSEY. Well, I think that is obviously true. I think that is obviously true. As a matter of fact, I have talked on this subject before at great length and I have made a speech on this subject. As a matter of fact, I am rather proud of it and I will be happy to send you a copy of it if you would like.

Senator PERCY. I would very much like to have it.

[The information referred to follows:]

BUSINESS RESPONSIBILITY TO SOCIETY

(Remarks by B. R. Dorsey, president, Gulf Oil Corp., to Pittsburgh Chapter, National Association of Accountants, April 15, 1970)

This is indeed a special opportunity you have given me here tonight. And I am grateful—because the times demand that businessmen present their views—not only about how we *see* our responsibility to society, but most importantly—how we are *fulfilling* that responsibility.

Not that businessmen have not spoken on this subject before. But our views of society have changed over the years—as society has changed. Today, society is a world concept. From the day man first looked upon his planet from outer space, his perspective became dramatically, and permanently, broadened. Today, we see the entirety of our world. We see the extremes within our global society: the beauty of the natural environment, scarred by the ugly residue of productive nations; personal wealth of some and the poverty of many, one nation reaching the moon while another remains in the stone age, all of mankind seeking peace yet many trapped in war. Any discussion of the responsibility of business to today's society must deal with the problems of these extremes—pollution, poverty, and war. The traditional responsibilities business has to society have been long established by the nature of our free enterprise system: 1. the responsibility to provide profits to our shareholder investors, 2. to produce quality products desirable to customers and fairly priced, to advertise them honestly, 3. to provide employment and to reward employees for their contribution to the success of the enterprise, 4. to contribute a percentage of our profits directly to the communities in which we operate, and 5. to otherwise retain the goodwill of the local and national publics that permit us to conduct our business.

These have been, and continue to be, quite basic responsibilities that business must always meet. Essentially, these have been the full scope of our responsibility—until now. Today, maximum financial gain, the historical number one objective, drops to second place whenever it conflicts with the well-being of society. We now must examine the proposition that the *first* responsibility of business is to operate for the *well-being* of society. As financial managers, you are the best witnesses of this shift in priorities. Your companies' obligations to society are a growing cost of doing business—not only by taxes and cash contributions, but also by capital and people invested in meeting public needs—or meeting the more costly reactions to *adverse* public opinion. Take any new profit-expanding action proposed by your company. The potential profit of that action invariably is whittled downward by the cost of meeting the company's obligations to the public. I'm sure you've seen many profit proposals defeated in recent years because the social costs, often made apparent by public pressure, eliminated the potential profit. This is the major shift of responsibility that has occurred for business and it is the challenge that we face.

How do we meet this challenge? Our first step, of course, is to understand—and help the rest of society to understand—that business not only is a part of society, but that it can and does play a leading role in improving it. Now that we're placed deep inside our society, let's look around to see what today's society is all about. At first glance, the picture appears chaotic. To understand it, we must unravel the chaotic condition.

Chaos comes when the world changes faster than its people do. And that is our present condition. We're living in an environment of change. Many forces are at work, making society more dynamic and complex than at any time in our history—unsurpassed wealth and education, *mobility* reaching the speed of sound, everybody watching—the instant mass transmission of events, of reactions to those events, of reactions to the reactions. All news is now. Any event, good or bad, is witnessed by all, judged by all, and too often, judged incorrectly. Today's paradox is, that while mankind can transmit its ideas worldwide, it seems to misunderstand everything it receives. While emotion must be raised before society's mistakes can become public discussions, the same emotion scrambles our ability to communicate. Our emotions seek to transfer our guilt for the mistakes to the backs of our favorite targets. Yet, any social wrong is everyone's responsibility.

Public issues shift in priority. Today it's ecology. Yesterday it was poverty. Last week it was war. Yet, all must be dealt with today and tomorrow, because they are far from being resolved. These are the key issues against which business is being judged today. Our jury is the public. And the public is flexing its

muscles. Business has always recognized the power of the public—especially in the market place. But now the *public* is recognizing its power. Motivated by a long-standing feeling that they had lost control, stimulated by their recent successes at speeding changes toward peace and racial equality, today's public—society—you and I—now have a new sense of confidence that we really can affect change. Successful change stimulates more change.

And if there is a short supply of leadership for that change—political, industrial, civic, and social leadership, that chain reaction of change will destroy instead of build society. Leadership is needed to direct this chain reaction for the same reason it's needed to direct the atomic one.

I see only one new move businessmen must take to meet the needs of today's society. To paraphrase the current idiom—we must tune in, turn on, and *drop in, not out*. Competitive pressures have held too much of our attention to the enterprise. We've seen too little of the world around us. Today, the world *around us* is our job. As business managers, we must now tune in to society's needs, turn on our knowhow to tackle those needs, drop into society to help resolve them.

To use language more comfortable to me, today's manager must be sufficiently sensitive and skilled to be the leader of change—to anticipate and respond to changing social needs.

A major result of tuning in, turning on, and dropping in will be an increasing awareness by the public of the contributions business *is* making to society. A solid dialogue between the public and business is long overdue. It's a reversal of that tree falling without any sound because no one heard it. Too often the actions business takes for society don't exist because we failed to utter a sound. Well, here I am on a podium. And you seem to be listening. So I'm about to sound off a little later on behalf of Gulf Oil Corporation. Let's limit ourselves for the moment to looking at those priority needs of society today—the most important ones as recognized by society right now—at (7:30) p.m. on April 15, 1970.

First is our obligation to the ecological balance—that mutual relationship between life and our environment; *then* the elimination of poverty—in our own nation's urban centers as well as in developing nations; and *finally*, the attainment of world peace through international understanding, to stop wasting our life and material resources.

We know that our spaceship, Earth, has finite resources; that nature can accommodate a certain amount of waste materials and maintain a balanced, restorable environment. But the residue of our productive economy is overloading the system. Determining who is to blame is not only impossible, it offers no solutions. Is it the consumer's demand for more? Is it industry's technological expansion to supply the demand? Is it the population explosion—the concentration of the populace in our urban centers? Who will stop using detergents, weed killers, convenience packaging? Who will give up his car or stop using trains, busses, planes, and trucks? Who will stop heating his home or using electricity from the power plant? Who will shut down his factory—or wants the factory where he works to close down? Who will decide not to have children? And who will move a hundred miles from where he works?

Society today is determined to solve the pollution problem. And I believe society is willing to pay the price for this solution—all members of society—you, me, shareholders, consumers, citizens—all the labels we call ourselves—all of us are willing to clean up our house. We've paid a high price to get where we are. We're ready to pay the even higher price to put us back into harmony with our environment.

The rewards will be great—a continued productive economy, yet with clean air to breathe, a pleasant view from here to the horizon, the clean waters our plant and animal life require, and for the recreation our growing leisure time desires. This is society's goal. The positive results of such an environment on our economy, as well as our physical and mental health, are unmeasurable. There are three simultaneous actions necessary for us to reach this goal: 1. the *first* is to continue developing a body of interdisciplinary knowledge about our environment and the technology required to balance the residue of our economy with nature's regenerative powers. 2. We must create or improve *pollution standards* along with the necessary controlling legislation to implement this knowledge as it is increased. 3. The *third concurrent* move is to educate every member of society—each of us—as to our individual responsibility to the environment. All three of these moves can and must be made now. We can't afford to wait until we have more knowledge before we begin setting standards

and educating each other. All three are being done now, but in a spotty and uncoordinated way. Advertising has been very effective in driving the litterbug towards extinction. Smoky the Bear is doing the same job on the firebug. A great body of technical knowledge already has been developed in the fields of ecology and pollution abatement. Some communities and regions in our nation already have learned a great deal about their own problems and instituted standards and corrective legislation.

I believe business will be the greatest force in the elimination of pollution.

Industry has the largest body of knowledge about pollution abatement technology, both in its production techniques and in the products it produces that can contribute to or reduce pollution. Our first responsibility then, is to continue developing this body of knowledge and apply it to our production techniques and to the products we make. Concurrently, we must work with all local, area, state, and federal agencies to develop workable standards and legislation to use this technology. Often, one company cannot apply this knowledge because the cost of the application would make its facility unprofitable unless the price of its products could be raised. A *unilateral price increase* would be financial suicide because the company's products would be more expensive than those of his competitors. Responsible federal legislation, however, could require all companies to meet workable standards simultaneously and no company would be at a competitive disadvantage. There are already pollution abatement committees in every industry trade association working with the public and community organizations and the larger corporations have assigned full-time executives to the job of coordinating abatement efforts.

As a member of the oil industry, I can deal more specifically with its responsibilities to pollution abatement. The industry was born in this country in 1859 when the first oil well came in. Since then, the industry's ability to find oil and the consumer's capacity to use it have made petroleum products our largest source of energy, supplying about 75% of our nation's energy needs—for transportation, for cooking, for light, heating, manufacturing, agriculture, and the power generators that supply our electricity.

During the next 10 years the oil industry is going to have to invest more than \$200 billion to provide for the growing free-world demand for petroleum during that period. It's expected to increase by some 25 million barrels per day. That means that if the industry is to maintain the current balance of reserves to production it will have to discover about 40 billion barrels of new oil reserves each year, build the equivalent of another 900 of the current hundred-thousand-ton tankers, and construct 250 new refineries, each with an average capacity of 100,000 barrels per day.

Conservation practices began early in the industry's history. The first need was to conserve the natural resource we were drilling for—the oil itself. By 1900 experience provided new ways to reduce waste. Since then many technological advances have been made in locating, drilling, and refining oil for maximum efficient use of the resource. The industry cooperated with state and federal governments to institute state and federal conservation laws. The first was passed here in Pennsylvania in 1878. So we're not newcomers to the field of conservation. And we're certainly not newcomers to the field of pollution abatement. It's the very heart of our business. Oil and its by-products are real and potential polluters of our air and water. Every drop of oil that is wasted is a loss item to an oil company. So we have a very greedy self-interest in preventing such losses. An oil company can spend over a hundred million dollars to locate a new oil field—the costs of exploration, drilling, the ratio of one commercially successful find out of 50 wells drilled, the price of land leases. It's no wonder that whenever we find it, we don't want any of it wasted. Accidents do occur, however, and more often as growing demand forces more production.

Our increasing knowledge of geology and production techniques has kept these accidents to a minimum, although the rush of recent publicity tends to obscure that fact. An on-shore oil spill can be contained relatively easily. But off-shore spills are harder to handle. And needless to say, when these spills come ashore, they have tragic consequences on marine and bird life as well as on the beauty and recreational uses of our beaches. It is small consolation to know that of the 8,000 off-shore wells drilled so far, less than 30 have had spills, only 2 of which resulted in serious pollution damage. The fact of the matter is, this type of accident must be prevented. A great deal of knowledge about off-shore drilling has been developed to reduce accidents. Oil producers invested \$128 million during 1966 and '67 alone for capital equipment designed to prevent spills from off-shore drilling. Another \$55.5 million was spent just to operate and main-

tain this equipment. Experience so far has indicated that even hurricanes and geological faults don't have to result in oil spills. It is through this experience and investment that the oil industry is going to be able to continue reducing, and eventually, we hope, eliminate them entirely. It is necessary to gain additional knowledge about this problem because the chemical and physical qualities of oil differ from field to field. And weather and water conditions differ from one spot to another and from one moment to the next.

These varying conditions also add to the pollution abatement problems of a tanker spill. Oil not only powers and lubricates every motorized ocean-going vessel, it also is the major cargo hauled on the seas. Crude oil alone accounts for more than 50% of the world's ocean cargo tonnage with more than 4,000 tankers throughout the world hauling well over 600 million tons of crude a year.

This huge expansion of oil commerce has been relatively recent. Before the 1960's there was little concern and few restrictions on tanker operators who washed and flushed empty tanks and dumped oilyballast at sea. Tankers were small. Traffic was light. Spills of refined products vaporized or disappeared into the sea. Bacterial action absorbed the crude oil. But with the increasing traffic the international oil industry began creating and adopting techniques to reduce pollution. Special techniques were adopted in 1962 that have reduced oil spills from these operations by some 80%, from 2 million tons to less than 400,000 a year. But that's not the only way oil spills occur at sea. Maritime accidents involving tankers have increased as the number of tankers have grown. But the numbers haven't grown as fast as their size, from the 16,500-ton T-2 tanker of World War II, to the new 326,000-ton tankers in Gulf's fleet. We now have six of these in operation and five more are now being built. These larger tankers have proved to be all but impervious to bad weather and to handle better than smaller tankers, both at sea and in docking. They are fitted with the very best of navigational equipment. And their capacity to deliver 2,300,000 barrels of crude provides substantial economies. We believe these economies will tend to phase out the older tankers and, thereby, reduce the industry's rate still further.

Gulf is spending about \$30 million each year on pollution abatement research and improved processes and products. This investment has been growing over the past several decades, many years before there was any political concern about the problem. Many of our developments also advance the efficiency of our refining operations; others just reduced pollution.

And we are not alone. The U.S. oil industry spent a total of almost \$400 million in air and water conservation in 1968. The industry's past expenditures have resulted in many improvements currently in wide use. Floating roofs reduce evaporation from tanks. Stack gas no longer pollutes the air. Converters recycle the gasses through the burning system. Flaming stack tips burn off the rest. Today's refineries actually contribute clean water to our planet. We draw a tremendous amount of water from streams and rivers for refinery cooling systems. This water is purified before we can use it. Then it's passed into the atmosphere as steam. The impurities are piped into API separators to be skimmed off or chemically neutralized.

One of Gulf's major research investments, a 30-year, \$15 million effort, has resulted in the first successful operation of a refinery using Gulf's HDS process. Located in Japan, this system converts high-sulphur residual oils to liquid fuels containing as little as 1% of sulphur. Use of this fuel will decrease dramatically the emission of sulphur oxides into the atmosphere by industrial and power generating plants.

A significant amount of the nation's air pollution comes from our automobile exhausts. The automobile industry and the oil industry have acquired the technology to correct it. Of the many directions that are open the one we are heading toward is the reduction of compression ratios of engines so that they can operate on a gasoline without lead. Removal of the lead, which itself is not considered a significant pollutant, will permit the use of more sophisticated emission control devices on automobiles. Proposed federal guidelines call for reducing emissions of pollutants from autos by up to 93% by 1980, regardless of the cost or effect on the performance of cars.

Gulf has stated that we will supply a suitable gasoline as soon as it may be required. Indications are that this will begin within a year.

The greatest problem faced in reducing automotive exhaust pollution is the cost, not the availability of technology. Consumers today are paying more for their new cars' pollution abatement systems required by existing federal stand-

ards. The cost of manufacturing the lead-free fuel and the next generation of emission control devices will jack up the prices to consumers still further.

But the people in this nation are ready to pay the price for clean air. We're trading up on our quality of life.

Poverty, like pollution, is everyone's responsibility. In fact, it's my belief that the issues of poverty and pollution are drawing this nation together. The generation gap closes on these two issues.

But of the two, poverty is the one problem business already has the skill to resolve. The success story behind the National Alliance of Businessmen's JOBS program is witness to this. Businessmen in 131 cities have placed 338,000 disadvantaged men and women, hired, trained, or in training for promising careers. Gulf joined the Alliance immediately and urges all companies to join—large or small. It's not only humanitarian, it's good business. Gulf actually started its training program for the disadvantaged before the Alliance was created.

The concept of black capitalism has also demonstrated itself to be successful. Be it black capitalism, or red, or yellow, or brown, or white, it has worked for Gulf for many years.

Almost all of our 31,000 service stations in the U.S. are operated by independent businessmen. Gulf provides every dealer with extensive and continuous training. Eighteen of the nation's major oil companies have pledged to the U.S. Department of Commerce to increase substantially the number of minority-owned service stations over the next five years. The goal is 28,000 minority-owned stations, which represents the relative size of the minority population. According to our most recent survey, Gulf already is on target with 2,166 stations owned or operated by minority group members. Of course, we should be. Gulf has been providing salaries to minority members while they have been in training for station operation since 1945.

There are scores of other examples that we or any company could relate. But the point is made. Black or any color capitalism—works just as well as white capitalism.

The greatest goal business can work to achieve is world peace. I might add—world peace through international understanding and healthy economic growth—because this is exactly how business can contribute—by increasing the flow of goods, services, and people-to-people communication among the nations of the world.

Enlightened international corporations are the neutral force entwining nations, contributing to the economies of the haves, increasing the productive powers of the have-nots; contributing to housing, schools, dams, roads, and forming commercial sea, air, and land bridges between nations.

A Business Peace Corps is the operating style of today's international corporations.

Gone are the days when we insisted upon complete self ownership and management of foreign subsidiaries. Although American business continues to hold full ownership of many of its overseas ventures, most are now operated by nationals of the host country. And more and more new ventures are being created in partnership with local governments, local business, which often hold the majority interest. Today's theory is that it's better to provide the technology and business know-how through minority interest than not to contribute at all.

The international oil industry is a good example of what I mean about a business peace corps. It's also the best example I can describe accurately. The product, itself, provides a vital key to world peace. Petroleum is the life blood of every nation's economy. Oil and natural gas supply our trucks, busses, planes, power generators, industry, agriculture, 75% of our nation's energy needs. Yet, oil is where nature put it. And it hasn't been put in every nation's backyard; certainly not in sufficient quantity for most nations to be self-sufficient. Some nations, like Kuwait, have an oversupply. They are dependent upon other nations for markets. Oil export is the principal contributor to these countries' economies. Others, like the European nations, have an insufficient supply. They depend on continuing oil imports from those with an abundant supply. The U.S., fortunately, has been self-sufficient, although this independence has a limited future. Where our oceans once provided us with our best defense from attack, our oil supply has been the significant factor in our national security for the last 50 years.

Gulf now operates in 60 free-world countries. We are producing oil in 9 of these countries and are now exploring for oil in more than 30. Interestingly, the largest new oil fields are located in the world's developing countries.

As legal corporate entities, international companies remain politically neutral. As human beings, each of us holds a whole range of attitudes about the governments with which we deal. Within the limitations of being a guest in economically developing nations, we bring benefits directly to the citizens of those nations. We do our best to preserve the natural environment. We provide capital. We provide skills and know-how. We provide jobs and training. And these benefits are most important to the emerging nations. Invariably, because an American company is doing business with a developing country, its citizens are better off than before. Their earning power is improved. They eat better, live more comfortably, get a better education, become better equipped to contribute toward improving the social well-being of their nation. Experience has shown that improved productivity has a great impact on the political style of a nation. Government is the result of an economic base. Only by improving that economic base is there any substantial social improvement in government. In our lifetimes we have seen the territories that gained the greatest volume of foreign investments have been among the first to become self-governing.

Gulf has invested many billions of dollars in its foreign operations, much of it in taxes, leases, and royalties to the host governments, direct contributions to education and housing, construction of roads, bridges, schools, hospitals, and as salaries for employees. And the vast majority of employees are nationals.

Venezuela provides an excellent example of the benefits from foreign investment. Today Venezuela is one of the largest oil exporting countries in the world. Many of the notable advances made in Venezuela have occurred in the past 40 years, coincident with the discovery of petroleum in vast quantities in Lake Maracaibo.

From the start, oil companies provided educators, built schools, housing, highways, air fields, hospitals; and provided scholarships there and abroad. Illiteracy has dropped from 85% to less than 10%. Income to the government from royalties, taxes and duties topped a billion dollars a year by the mid-60's. Local business and personal income from the industry's practice to purchase locally and from the tens of thousands of Venezuelans on the payrolls has radiated outward to form a solid foundation for the nation's economy. In Venezuela, 94% of our employees now are Venezuelans, including the president. At the refinery, sons of the many illiterate men first hired now hold college degrees and top management positions.

This style of doing business abroad is being repeated by hundreds of U.S. corporations in virtually every nation in the free world. The international language of commerce is spoken and heard by all. Emerging nations are acquiring a sense of respect for their advancement and hope for their future, and respect from the nations with which they trade. As their educational levels grow, their governments modernize and mature. World trade becomes a stabilizing force as nations become increasingly interdependent for goods and services.

With time and the capital, energies and know-how of international business, the criss-crossing air and sea lanes of commerce will create a global web sufficiently strong to assure the peaceful world we seek.

The new responsibilities business has for today's global society are much more complex, almost revolutionary when compared to those we faced a few decades ago. They cannot be fulfilled unless everyone is involved. Businessmen must stimulate every employee toward community involvement—whether the community is Pittsburgh or Angola. Management must take the initiative to aid employees in locating areas in which they may be of service, give recognition to those who become involved, provide them with a fair amount of time and company facilities that may be helpful. And we must increase our dialogue with the public, which knows too little today about our activities, our problems, or our contributions to society. Public ignorance of business practices has created a growing reservoir of suspicion about our intentions. The half truths and distortions have become the weapons of those who attack us. The small group of extremists win broader support for every moment we ignore an erroneous charge. We are accused of war profiteering on page one of the same newspaper whose business page reports a stock market *slump* due to a war escalation. We are accused of racism when, in fact, we recognized long ago that discriminatory practices deter a company from attracting its greatest asset—talented and skilled employees. They claim we want the poor to remain poor, when we are concentrating our resources on the elimination of poverty, both for humanitarian reasons, and because employment checks increase our profits and welfare checks reduce them.

We are accused of raping emerging nations of their natural resources when, in fact, the nation reaps the major share of benefit from the resource it could not unlock without us. We are labeled the source of the world's pollution when, in fact, all mankind is contributing and it is our technology which is the vital key to its eventual elimination.

Business must communicate this information to the public with as much effectiveness as those who are now trying to destroy our economic system. Today, the society's majority is hearing only one voice. Tomorrow there could be only one voice to hear. We must get out of our office and board rooms and get into our communities. This is the only way we truly can meet society's needs and earn its understanding and support—by recognizing and reacting to changing social needs and by communicating our business goals, problems, and actions. The result will be the happy goal businessmen have always put in first place—a progressively improving society in which we live—and a reasonably profitable growth for our enterprises.

Mr. DORSEY. It is a very complex and difficult world when you go out on your own as a business person, as you well know.

Senator CHURCH. May I say for the information of the committee, there are two rollcall votes back to back. The first one is underway.

BOARD'S KNOWLEDGE OF BAHAMAS' FUND

Senator PERCY. I believe you have indicated. I am not sure it was in public testimony, at any time has your board of directors been advised until the disclosure came out, that these contributions were being made abroad and there was the special fund set up in the Bahamas, or any corporate entity that you might have within the board, an executive committee or a finance committee? Was there any advice given by management of the board prior to the public revelation?

Mr. DORSEY. That is correct.

Senator PERCY. There was not?

Mr. DORSEY. There was not.

Senator PERCY. So it was entirely kept.

Mr. Dorsey, could you indicate why you felt that that was not a matter that should have been discussed by the board and policy established at that level?

Mr. DORSEY. Well, it would appear that there are two questions. If you asked me about Korea, the thing that I know something about, the thing that I was involved in, the area in which I made the decision, it was within my authority within the corporation to make the expenditure. It was an expenditure of money and my authority for expenditures, for expenses, are greater than the \$3 million, so it was not necessary under the company policy that I do so.

If you are asking me why the original fund was set up in the Bahamas, I simply do not know, it was long before my time and I do not know.

Senator PERCY. Because of the irreparable damage to Gulf as a result of these revelations, do you think it would be wise for the boards and board members of multinationals in this country, and abroad, to question management as to whether such practices are being carried on in the company and establish a firm policy where the responsibility would be at the board level then?

Mr. DORSEY. I would recommend it very highly.

Senator PERCY. On the top of page 19, bottom of 18, you mentioned that your investigation discloses the starting in 1960 Bahamas Exploration Co. was used for "bookkeeping and accounting purposes to

transfer funds for use as contributions, gifts, entertainment and other expenses to the United States." Could you expand on what kind of entertainment and what other types of expenses in the miscellaneous category have been revealed to you now as a result of your investigation?

Mr. DORSEY. I think I am really quoting more or less from what was said, is that not correct?

Mr. MINKS. Right. This is language which appears in our consent and undertaking. This is language which generally describes the categories of expenditures which were made from this fund. These categories are being more specifically defined by the review committee and identified by the review committee.

Senator PERCY. You do not have information yet from the review committee?

Mr. DORSEY. No. They talked to a great many people but they have not talked to me one way or the other.

MR. DEERING NOT TO TESTIFY

Senator CHURCH. Excuse me, may I just announce at this time, because I have to go vote. Senator, you conclude the hearing, if you will, that Mr. Deering will not be called. His presence will be excused because Mr. Dorsey's statement has covered the whole field adequately and well.

Mr. DORSEY. Thank you.

QUESTIONS FROM SENATOR CASE

Senator PERCY. Mr. Chairman, Senator Case has a number of questions here which we can either put in the record or I would be very happy, if he is not able to leave the floor, and if Mr. Dorsey is able to stay, I would be happy to come back. It might be easier to do it right now.

Senator CHURCH. You work that out with Mr. Dorsey. You are now in charge.

Senator PERCY. I will finish up when we get five bells and I will ask Senator Case whether he wants the questions answered now. I rather think he would, and we would not be leaving things for you to do afterward.

THE TAX EFFECT

On page 19, you have indicated that the fund transmitted to Bahamas Exploration were deposited in a new bank account and entered as deferred charges as written off as expenses during the current year. Would you care to comment on what tax effect that has then on the writeoff? Does it affect the tax returns of the United States of America, or any foreign country, and has it been revealed there was any illegality in the type of expenses incurred and, therefore, the writeoff?

Mr. DORSEY. Well, I have been advised, I have every reason to think it is absolutely true that there are no tax consequences on any of these transactions that have been made. They were not claimed for tax purposes as expenses for tax purposes. There was no tax consequences.

Senator PERCY. I am glad to hear that.

Mr. DORSEY. For which I am thankful to whomever set it up in the first place, at least they did one thing right.

Senator PERCY. There was never an attempt to write off as business expenses for tax purposes. These were capital contributions, in a sense?

Mr. DORSEY. Yes, sir.

GULF'S EARNINGS FROM KOREA

Senator PERCY. You indicated that your investment totaled \$300 million. What have been recent earnings from Korea on that investment? Have you broken that out in your financial statements at all, or can you tell the committee what your earnings have been in South Korea after taxes?

Mr. DORSEY. No, not precisely. I can probably give you a measure of it. Our total exposure at one time was \$300 million. We have been there for 12 years and I think that we have yet to recover about \$150 million. So, one way or another we have recovered over 15 years about half the money we have invested, which does not suggest a very high rate of return.

RECESS BY COMMITTEE FOR VOTE

Senator PERCY. The committee will recess for a period of about 20 minutes while we take these two votes and then be back.

Mr. Dorsey, is it convenient for you to stay on then for a little bit?
[A recess was taken.]

Senator PERCY. Mr. Dorsey, I think we can move right along and finish this up, we hope with dispatch.

STUDIES MADE BY GULF

In these countries in which you have done business, I presume that you have now made a legal study to determine in which countries the corporate contributions to political candidates or parties are legal or not.

Is it possible for you to furnish for the record to this committee, whatever studies you might have already made? I do not want you to make any special studies. If you have a list of those countries it would help us to know where corporate contributions have been made, or where corporate contributions are illegal? And do you happen to know whether Gulf has made contributions that are now determined illegal in other countries besides South Korea?

GULF'S BOLIVIAN CONTRIBUTION

Is Bolivia the case or was that an illegal contribution by Bolivian law?

[The information referred to follows:]

[Supplied by Gulf Oil Corp.]

Senator Percy asked if we had made a legal study to determine in which countries the corporate contribution to political candidates or parties are legal or not. We have made no special study of this matter, although our inquiries have confirmed that these contributions were lawful in Canada and England and were unlawful in Korea.

Mr. DORSEY. Yes, sir, I think so.

Senator PERCY. Do you have knowledge whether you have made contributions in other countries that your studies revealed are illegal by the laws of those countries?

Mr. DORSEY. We are still studying that and we are not sure. I have mentioned all the countries I know. There may be other countries turn up but in any event, we are trying to determine the legality or illegality in every country, not that we intend to use the information but—

Senator PERCY. It is fairly standard practice for contributions to be made for the political process in most of the countries in which you do business?

Mr. DORSEY. It is not my impression that it is. It is not my impression.

RELATIONSHIP BETWEEN CONTRIBUTION AND GULF'S INVESTMENT

Senator PERCY. Do you know if the size of the Gulf Oil contribution was considered significant in relation to the total campaign budget of those political activities to which the company contributed? Were you carrying a very large share of the cost of the campaign in Korea or do you have any idea what proportionate share you were carrying?

Mr. DORSEY. I obviously do not because no one would have told me, but I would have presumed that the amount we were asked for or that we finally agreed to must have been borne—I had the impression it bore some relation to our investment and to our importance in the country. But it is only an impression. I would think the others were asked accordingly.

QUESTIONS FROM SENATOR CASE

Senator PERCY. The following questions, Mr. Dorsey, are questions from Senator Case, and I simply ask them in his name.

HOW MANY IN GULF KNEW OF KOREAN PAYMENTS?

How many people within Gulf knew of the payments? In your view, how many people knew about the payments made and their purpose?

Mr. DORSEY. Talking about Korea again?

Senator PERCY. Yes.

Mr. DORSEY. I presume—

Senator PERCY. I would say that the question should be broad enough to include South Korea as well as all other countries where campaign contributions were made?

Let us take Korea first. Be specific about that.

Mr. DORSEY. I am not trying to evade. It is a very difficult question to answer. You never know who is involved in the decisionmaking at any one time in the past. I would think that probably four to six people had knowledge of it within the corporation.

Senator PERCY. That is on the South Korean contributions?

Mr. DORSEY. Yes, sir.

Senator PERCY. Then, taking into account all other contributions to other countries as well and, therefore, their political campaign, how many people in Gulf might have known of the existence of such a fund and payments were being made and for what purpose?

Mr. DORSEY. I would think at any one time not more than four to six. For example, I did not know about the Bolivian matter, al-

though I was in the headquarters office at the time. I did not know it was done by other people and I was not asked or consulted, but I would think in the nature of four to six people at any one time.

GULF'S POLICIES AND DECISIONS CONCERNING CONTRIBUTIONS

Senator PERCY. A question on my own. Was it ever stated as a policy any place, so that people had some leeway, that you had to accommodate yourself, you had to do business in accordance with the local mores and customs, habits, and so forth, therefore, they had the discretion to go ahead but policy had been established at some higher level that this was, if necessary authorized in advance, or when you discovered the Bolivian contributions, for instance, did you feel that it had been made by officers of the company or employees of the company without specific direction and without, in contravention of any policy of the company?

Mr. DORSEY. Well, it was, unfortunately, not in contravention of the policy because there was no policy and that is too bad in itself. I would believe that whoever made the decision about the Bolivian contribution, did it under great pressure and because they did believe it to be in the best interests of the corporation.

I would simply add that we were completely expropriated by the Bolivian Government about 2 or 3 years later, completely and absolutely.

Senator PERCY. Again, on behalf of Senator Case.

In your estimate, how many individuals in the recipient country were aware of the first payment that was made? Did you deal with the very same people at the time the second payment was made? And I think this applies to South Korea, the first payment in 1966, the second in 1971.

Mr. DORSEY. I have no idea how many people in South Korea would have known it. I suspect like most things, they would not talk about it too much, a rather small and select group. And basically, yes, we dealt with, more than one person talked with us, but only about three at most, and I think basically they were the same people in both years.

Senator PERCY. Again, a question of my own. We have various devices for letting a contributor know the top man is going to know about it. Republicans and Democrats have used this system.

They tell you in advance the President will get a list or he will be notified as head of the party the contribution is being made or you will be invited to the White House or there will be a special briefing by Cabinet officials for you, but there is some special attention paid to contributors, we all know that, and under various administrations.

HOW THE CONTRIBUTION WAS MADE

Can you tell the subcommittee what was told to you, if anything, about how this contribution made to Mr. Kim, who is the finance chairman of the party, but who really does not make basic decisions for the Government and is not, as I understand it, a part of the Government. How were you advised that the big people who did make the decisions above Mr. Kim, would know of your contribution?

Mr. DORSEY. After all these years, I cannot say with any exactness precisely what I was told. Obviously, I was, or whoever was involved, would be alternately cajoled and threatened and in a matter like this, and I am sure that somewhere along the line that such a statement was made to me or to some of our people that were involved, but I do not recall it precisely.

Senator PERCY. There is no question though, that probably President Park and other key Government officials would know very definitely about your contribution?

Mr. DORSEY. Well, I cannot say that I had any reason to think they would but I have every reason to believe that I was told that they would, which may be two different things. At least, it turned out that way in our country.

GULF'S ACTIVITIES IN BOLIVIA

Senator PERCY. Again, on behalf of Senator Case, how many people and individuals in Bolivia actually knew of your political contributions there?

Mr. DORSEY. I really do not know. I have only found out about the Bolivian matter in the last week.

GULF'S ACTIVITIES IN ITALY

Senator PERCY. Do you have any knowledge on Italy?

Mr. DORSEY. No, I am sorry, I do not.

Senator PERCY. Do either of your colleagues?

Mr. MINKS. No.

Mr. SEAMANS. No.

THE EXTRA INTEREST FUND IN KOREA

Senator PERCY. In Korea many bank employees must have known of the extra interest fund. Did you have a feeling that the activities and contributions were known or was this payment made in such a way that the information could not have spread among lower level employees in, say, the bank or some place else?

Mr. DORSEY. I really do not know how the Koreans handled the money once it was in their hands.

THE BAHAMAS FUND

Senator PERCY. Senator Case asks have you any reason to believe that any official of the Bahamas Government or private individuals residing in the country, not connected with Gulf Oil, were aware of the payment?

Mr. DORSEY. I would certainly think not.

Senator PERCY. Did you not need a local lawyer or local banker, local auditing company?

Mr. DORSEY. Excuse me, you might be able to help him on that.

Mr. MINKS. Would you please repeat your question, Senator Percy?

Senator PERCY. Have you any reason to believe that any officials of the Bahamian Government or private individuals residing in that country not connected with Gulf Oil were aware of the payments?

Mr. MINKS. Nothing has been revealed to my knowledge, as a result of the investigation to date.

Senator PERCY. Did you have a local lawyer, local banker, a local CPA, that audited you down there that would have knowledge of this fund?

Mr. MINKS. All in with respect to Bahamas exploration? No, we did not.

Senator PERCY. I would be happy to have Senator Case's top staff professional person interrupt because I am not always sure what Senator Case has in mind on some of these questions.

Mrs. LEWIS. We request that you furnish information about this for the record, because it is obvious we are not asking the right people.

Mr. MINKS. I am not quite sure what information you are seeking.

Mrs. LEWIS. Any Bahamian nationals who might have been aware that the payments were made?

Mr. MINKS. I can answer that again in this way, quite directly, that to date the investigation which has been conducted has not revealed any such person who had knowledge of this information, but if any develops that information will be the subject of the review committee report and will be made public.

Senator PERCY. Mr. Dorsey, do you think that these payments would have been made had you been under obligation to inform stockholders of this fact?

Mr. DORSEY. I am sure not.

Senator PERCY. What would be your view of legislation not prohibiting foreign bribes, political contributions, or excessive agency fees, but requiring that these be made public to the Security and Exchange Commission and shareholders?

Mr. DORSEY. I think it would serve precisely the same purpose.

Senator PERCY. There were reports in this morning's New York Times at an annual meeting of the Exxon Corp. Mr. Jamieson admitted his firm also made political contributions in countries where this was legal, and there were indications that Canada was among the countries as well as the United Kingdom.

Has Gulf made any legal political contributions in Canada or England and, if so, can you tell how much?

Mr. DORSEY. To my knowledge, they have not.

OTHER USES FOR THE SLUSH FUND

Senator PERCY. Senator Case has a theory that sometimes invention is the mother of necessity. In your view, could the fact that your company had a method whereby money could be moved in fact, have inspired people to put the touch on Gulf. In other words, if there is say, well, we want a part of it. If the existence of the slush fund was knowledge of the slush fund that might in a sense activate people to not a very well kept secret, might it not have inspired the need for it? How else can we explain Mr. Stans' request for illegal corporate funds of which he would not normally have had any reason to believe could have been made available that again is the next to last question?

Mr. DORSEY. I do not think it is true abroad, would not be true of foreign countries. From what I have read and what I have been given to understand, it probably was true in the United States.

Senator PERCY. Finally, do not the OPIC contract terms in fact state that if a company had acted in such a way to merit expropriation, unless by U.S. Government order it cannot collect on this insurance if expropriated, so your insurance only works if you behave yourself. The U.S. Government does not condone interference in foreign elections, even though it encourages foreign investment. Again, Senator Case's question?

I think that there was a question mark at the end of it. Would you care to comment on the OPIC impact?

Mr. DORSEY. If it is a statement I am not sure I agree with it. But on the OPIC, I simply do not know but it sounds very logical to me that a good insurance man would write such a proviso.

Senator PERCY. I would like to just make a personal comment on your appearance here this morning.

I think if President Nixon had done what you have done, originally, and just owned up to everything, and laid it on the line, and that is what I urged and Barry Goldwater. When Percy and Goldwater agree so conclusively on something, I would have hoped he would have listened at that time. And that was years ago. All we said was, tell us what happened, trust the American people with the truth, and the reasons for it. And I have every conviction that if he had done that and confessed up to everything and took all of the blame himself, the American people would have been very, very understanding.

Mr. Dorsey. I believe that.

Senator PERCY. I think he would have finished his term. But it was the failure to disclose, it was hiding the evidence, and it was telling an untruth to the American people. I have no reason to believe that your testimony is not the truth, the whole truth, and nothing but the truth, in this case, and your commitment to continue to furnish this committee with information I think is a very, very helpful pledge on your part. I think it has been extraordinarily helpful to us and absolutely the right and wise decision by you and your board that this testimony, painful as it is. I think as you walk out of this room, Mr. Dorsey, you will have a tremendous load off your shoulders, and I think you have done eminently the right thing, and we want to express, certainly for Senator Case and myself, and Senator Church has for the entire subcommittee, our appreciation to you and to Gulf for your candor in this matter and for your helpfulness and guidance. I think you have given, because this is not an investigation of Gulf, it is an investigation of having these facts now in our hands, what do we do with them, and it is very, very difficult. I think your testimony is going to be extraordinarily helpful to the State Department because they are struggling with what should be the right American policy in this regard, and your candor and I hope that others who feel as you do will come forward voluntarily and let this subcommittee know what they think policy ought to be. This is in the interest of our country, our economy, and our well-being all over the country, and we solicit earnestly advice and counsel as we start now to legislate in this area as to what the proper thing is to do.

I will ask counsel to just ask one final question. Is that a question?

Mrs. LEWIS. It is not a question. Could we have information for the record, please, regarding legal political contributions that may have been made by Gulf, particularly in Canada and the United Kingdom?

Mr. DORSEY. Yes.

[The information referred to follows:]

[Supplied by Gulf Oil Corp.]

Mrs. Lewis requested information for the record regarding legal political contributions that may have been made by Gulf, particularly in Canada and the United Kingdom. We have searched our records and are unable to find any political contributions having been made in the United Kingdom. Gulf has made political contributions in Canada by its wholly-owned subsidiary, Gulf Minerals Canada Limited, in the following amounts: 1971—U.S. \$9,000; 1972—U.S. \$17,000; 1973—U.S. \$2,000; 1974—U.S. \$15,000. We are advised that these contributions are a matter of record and are lawful under the Federal and Provincial laws of Canada and that corporate contributions are a customary and accepted business and political practice in Canada.

THE GULF COMPANIES,
Pittsburgh, Pa., October 23, 1975.

Hon. FRANK CHURCH,

Chairman, Subcommittee on Multinational Corporations, U.S. Senate, Washington, D.C.

DEAR SENATOR CHURCH: This is in response to your letter dated October 15, 1975.

The first part of your letter asked Gulf to provide further information concerning legal political contributions made by Gulf in all foreign countries which we understand to be an expansion of the original request to supply such information on England and Canada. Information with respect to Gulf's contributions in England and Canada was submitted earlier with the understanding that the Review Committee was still investigating such matters and may have further findings. Gulf has been cooperating fully with the Review Committee, whose report is now due on or before December 15, 1975, and is expected to include a full disclosure of all foreign contributions. When the report is concluded and released, the information will be supplied to you promptly.

Mr. Jerry Levinson, in a telephone conversation with Mr. Charles Boyce of my office, said that submission of the Review Committee report, when available, would be acceptable compliance with your request of October 15 concerning this subject.

The second part of your October 15 letter dealt with the contribution by Gulf to International Affairs Consultants, Inc. and the recipients of funds from this organization which might have been supplied through the Gulf contribution. In this connection, I mailed a letter dated October 10 to you correcting and supplementing the record on the basis of further information obtained from Dr. John H. Davis, one of the principals of International Affairs Consultants, Inc. I suspect our letters crossed in the mail, and Mr. Jerry Levinson advised Mr. Boyce that your office has now received my letter.

Very truly yours,

MERLE E. MINKS,
General Counsel.

Senator PERCY. Do either of your esteemed members of the staff have any further questions?

Mr. LEVINSON. No, sir.

Senator PERCY. The hearings, therefore, are recessed, until the call of the Chair.

[Whereupon, at 1:10 p.m., the subcommittee was recessed, subject to the call of the Chair.]

157. Excerpts of response to the subcommittee's questionnaire and other documents from Gulf Oil Corp.

Excerpt from Gulf Oil Corporation Response to the KI Questionnaire

(2) 1969

In the year 1969 Gulf entered into negotiations to purchase additional shares of stock in Heung Kuk Sang Sa Co. Ltd. (HKSS), a Korean fuel oil distributing company in which Gulf held 25 percent of the stock. Part of the purchase agreement provided for the payment of two million dollars to the Korean owners of the stock. Shortly before the transaction was closed, Lee Hu Rak contacted the Gulf representative in Korea, Mr. L. Hill Bonin, Jr., and requested a conference

concerning the agreement to purchase HKSS. At the conference, Mr. Bonin found Lee Hu Rak and Suh Jung Koi (J. K. Suh), owner and representative of the Korean shareholders. Lee Hu Rak, with Suh's agreement, requested that \$200,000 of the two million dollar purchase price be made available to defray the expenses of President Park's scheduled trip to the United States.

This request was delivered to Mr. H. I. Goodman who relayed it to Mr. E. D. Loughney. Mr. Loughney approved the payment of \$200,000 of the purchase price in the manner requested by Lee Hu Rak. The total price of two million dollars was treated as the cost of the purchase of HKSS stock.

The \$200,000 was transferred by wire from Pittsburgh to the Union Bank of Switzerland, Zurich, to an account in the name of J. K. Suh, Account No. 625,965.60D, on August 21, 1969. It is suspected that the funds were withdrawn from the account by Lee Hu Rak as he signed the signature evidence for withdrawal in the name of J. K. Suh. The sum of \$199,750 was withdrawn in December, 1969.



SCHWEIZERISCHE BANKGESELLSCHAFT
 UNION DE BANQUES SUISSES
 UNIONE DI BANCHE SVIZZERE
 UNION BANK OF SWITZERLAND

Tel. 051/29 44 11 Telex: Bankomat Telex 52265 Poh. 80-2

Rif.: Devisen/Changos 3333/5u

Gemüte Ihrem Auftrag gegen
 Schiene nach ordre de 25.8.

Wir vorgaben zu Lasten
 Ihren Kontos:

Nous honfissons par le débit
 de votre compte:

Belastung
 Avis
 de débit

J. F. J. N. S. u. M. Addressee/
 c/o Gulf Oil Corporation
 attn. Mr. Walter Burkhisser
 asst. treasurer
 P.O.Box 1166
 Pittsburgh / Penns.15230

8021 Zürich, September 2nd, 69

We have effected the following transfer
 to the debit of your account:

625.965.60 D.

This amount is to be held at beneficiary's disposal

US\$199'750.— Val. 2.9.

an / d / to

Mr. Wha Sup Chung

CONFIDENTIAL

The Gulf Companies

LAW DEPARTMENT

Robert Rees
ASSOCIATE GENERAL COUNSEL

June 12, 1978

Gulf Building
Pittsburgh, Pa. 1521

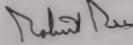
Mr. Stephen Blush
Subcommittee on International Organizations
Room 3515, House Annex #2
Washington D. C. 20515

Dear Mr. Blush:

As indicated by the enclosed copy from the New York branch of Union Bank of Switzerland to Gulf dated June 9, 1978, the Bank is not willing to breach the confidentiality it believes it has in the matter notwithstanding the points which I raised with Mr. Schibli and described to you in our telephone conversation last Friday. The Bank is aware of Gulf's desire to cooperate with the Subcommittee but is not willing to accommodate us because of what they construe as a possible violation of the Swiss banking laws.

I do not believe that another request by Gulf to the Bank will be successful, however I will be pleased to make whatever approach you suggest.

Sincerely yours,



Robert Rees

RR/rml

Enclosure

TELEGRAM
GULF

9018

Mar 376
GULFOIL PGH AA

UBI29299 NYK

TELEGRAM
GULF

9018

TO: GULF OIL CORP.
FROM: UNION BANK OF SWITZERLAND NEW YORK BRANCH
MSG 1069 COMCR JUNE 22-78 NS

ATTENTION MR. B.C. MAC CONNELL

REFERENCE IS MADE TO YOUR TELEX OF JUNE 15, 1978
REGARDING MR. J.K. SUH. PLEASE TAKE NOTE THAT
ONLY PROPERLY AUTHORIZED LEGAL HEIRS COULD
OBTAIN INFORMATION AFTER THE ACCOUNT HOLDER DIED. //

REGARDS

CURT H. SCHIBLI
UNION BANK OF SWITZERLAND
NEW YORK•
GULFOIL PGH AARECEIVED
JUN 22 1978
ROBERT REESJun 22 1978 11:18 AM
THE AMERICAN BANKSBlow
6/22/78

Copy: BCM

TELEGRAM
GULF

9018

35-283 887

PRIVATE AND CONFIDENTIAL

R. F. Cooke

Pittsburgh

REF ID: A6570

Mr. H. I. Goodman

DATE July 26, 1972

TER SALE OF ASTANO NEWBUILDING
HULL 233 TO KOREAN OWNER

Supplementing my memorandum of yesterday's date on the above subject, I wish to enlarge upon the background and some considerations of this project.

Our initial point of contact in the Korean Government, through which we suggested this proposed vessel sale, was Prime Minister Kim Jong Pil. Through his influence the approach to Koco by Japan Lines/Korean Lines for the charter of a VLCC was sidetracked and our proposal was received rather enthusiastically. The Prime Minister's secretary, "Bud" Hahn, was present at this meeting and subsequently met with us to transmit information in both directions. Eventually, Hahn advised us that the Prime Minister's choice for vessel ownership would be Mr. Cheng Tae Sung with whom we have been working since that time. Mr. Chung is, of course, the "front man" as shipowner and will see to the funneling of profits from the operation into the DPRP. Benefits from this relationship have already been felt in other problem areas in our Korean operations.

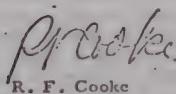
With the economic structure of this project, obviously it is to the interest of the shipowners to maintain Koco's freight rate at a level as high as can be justified, thereby maximizing profit for DPRP. The point has also been made to Mr. Chung, and we believe transmitted to the Prime Minister, that Gulf has done more than its share in terms of Korean flag tonnage; whereas, our competition to date has employed no Korean tonnage. This, we feel, will tend to inhibit proposals of additional Korean flag tonnage to Koco which otherwise would back out Gulf tonnage on which we hope to make a profit.

It should be pointed out that although we arranged four Park vessels and the 324,000 dwt. newbuilding to be placed under Korean flag and Pan Ocean ownership, this tonnage, under the terms of the renegotiated freight contract will not prevent additional Korean flag tonnage from being proposed to Koco. We feel, however, that an understanding has now been reached which will effectively remove the pressure of Korean flag proposals to Koco.

OTHER CONSIDERATIONS

The possibility exists, of course, at sometime during the currency of the 20 year charter to Koco that the freight rate will be sufficiently unattractive to cause political pressure to be applied. We feel the freight rates which will result from the structure of this project are realistic for a long term charter, but in the event such pressure should be forthcoming, it can only be applied to the purchase price and interest rate on loan on which there is no Korean Government guarantee.

In this event, we would have to rely upon the strength of the individuals with whom we have contacted. If these individuals are no longer in position of influence, it might be necessary to fall back upon our collateral which, of course, is the ship mortgage. Therefore, we are making provision for a reopeners, to be triggered by any request from Koco to the Korean shipowner for a reduction in freight rate which would make the financial package unattractive to the shipowner when still continuing mortgage payments, per agreement, to Gulf. The ship-owner would have the option in this event, to terminate the charter, and return ownership of the vessel to Gulf.



R. F. Cooke

RFC:mlw

cc: Mr. W. W. Finley, Jr.
Mr. P. E. Holloway
Mr. W. H. Blackledge, Jr.

158. Gulf Oil Corp.'s "Gray Fund"

Special Won + Dollar FundsDepositsCodeDescription

- 1 - Bank commission on time deposits.
- 2 - Dollar advance to expatriates and nationals for trips outside the country refunded in won.
- 3 - Dollar transfer from Pacific Gulf Oil charged by Kengoc to promotional expense.
- 4 - Travellers checks from THC's trips to Spain charged to promotional expense.
- 5 - Refund from Koco Valley ball team upon return from States charged to promotional expense.
- 6 - From the safe - cash and sale of ring.

WithdrawalsCodeDescriptionCodeDescription

- 1 - Blue House
- 2 - PM Staff
- 3 - MCI
- 4 - MOF
- 5 - MOF-TAY

- 6 - CIA
- 7 - EPB (ECONOMIC PLANNING Bd.)
- 8 - POLICE
- 9 - Customs & Immigration
- 10 - Dollar advance to be refunded in won.

Additional Descriptions and Code for ReportsCode

- 7 Insurance Division
- 8 Exchange of funds - won for dollars or dollars for won (offsetting entries between the won fund and dollar fund)
- 9 Won transfer from KOKSOC charged to promotional expense

Additional Description and Code for WithdrawalsCode

- 12 Exchange of funds - won for dollars or dollars for won (offsetting entries between the won fund and dollar fund)

DOLLAR FUND

LEADER SHEET NO. 4

DOLLAR FUND

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	1/9/74 BAL BROUGHT FORWARD FROM LEDGER SHEET NO. 2.				7320
2	2/18/74 12	P W&H	100		7320
3					
4	3/18/74 12	P W&H	300		7320
5					
6	3/19/74 12	P W&H	1500		5820
7					
8	5/13/74 12	P W&H	250		5820
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DOLLAR FUND

		APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	5/12/73	BAL BROUGHT FORWARD FROM LEDGER SHEET NO. 1	J 116 ✓		4300
2	6/10/73	11	J 116 ✓	250	4050
3	8/15/73	8	J 116 ✓	420	4470
4	8/25/73	3	J 116 ✓	1300	3170
5	8/30/73	3	J 116 ✓	2000	5170
6	9/18/73	3	J 116 ✓	3600	1570
7	9/26/73	3	J 116 ✓	5000	6570
8	9/27/73	12	J 116 ✓	200	6370
9	10/3/73	3	J 116 ✓	1000	5370
10	10/12/73	3	J 116 ✓	2000	7370
11	11/15/73	8	J 116 ✓	100	7470
12	12/2/73	12	J 116 ✓	50	7420
13					7420
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DOLLAR FUND

	DESCRIPTION	APPROVALS	DEPOSITS	W. WITHDRAWAL	BALANCE
1	8/10/72 BEGINNING BALANCE \$1700 FROM PETTY CASH 3.600 SPECIAL FUND	JUL-10-72			\$300
2	10/10/72 3	JUL-10-72	1000		2800
3	10/19/72 4	JUL-19-72	1650		3850
4	10/20/72 5	JUL-20-72		100	3750
5	10/15/73 5	JUL-15-73	1000		4750
6	10/16/73 10	JUL-16-73		150	4600
7	10/15/73 2	JUL-15-73		100	4500
8	10/19/73 5	JUL-19-73		400	4100
9	10/26/73 6	JUL-17-73	1000		5100
10	11/1/73 3	JUL-17-73		300	4800
11	10/12/73 1	JUL-12-73		500	4300
12	REVIEWED ESPD 7-6-73 W.H. Mander 7-6-73				
13					35-283 895

WELL FUND

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	1/9/74 BAL BROUGHT FORWARD FROM LEDGER SHEET NO. 2				10873060
2	2/6/74 1	1/16 Feb	60000		10823060
3	2/15/74 1	1/16 Feb	2000000		12923060
4	2/18/74 2	1/16 Feb		100000	12823060
5	2/18/74 8	1/16 Feb	40000		12863060
6	2/26/74 3	1/16 Feb		300000	12563060
7	2/27/74 3	1/16 Feb		200000	12363060
8	3/8/74 8	1/16 Feb	120000		12463060
9	3/9/74 8	1/16 Feb	532500		13075560
10	3/9/74 4	1/16 Feb		150000	12925560
11	4/2/74 3	1/16 Feb		200000	12725560
12	4/24/74 9	1/16 Feb		30000	12695560
13	5/3/74 5	1/16 Feb		160000	12535560
14	5/3/74 8	1/16 Feb	1000000		12635560
15	5/15/74 9	1/16 Feb		150000	12485560
16	5/23/74 1	1/16 Feb		68000	12417560
17	5/24/74 3	1/16 Feb		160000	12357560
18	5/24/74 4	1/16 Feb		100000	12217560
19	5/25/74 8	1/16 Feb		80000	12335560
20	5/27/74 8	1/16 Feb		26000	12175560

WELL FUND

O	DESCRIPTION	APPROVALS	DEPOSITS	DISBURSEMENTS	BALANCE
1	5/29/74 TEL FLECHT FORWARD FROM LEDGER SHEET NO. 3				1261000
2	6/1/74 MISCAST TO ROWD TO AGREE 4000	CAR WTB	4400		12118000
3	6/3/74 8	CAR WTB	826000		12974000
4	6/3/74 5	CAR WTB		250000	12694000
5	6/4/74 7	CAR WTB		200000	12494000
6	6/7/74 3	CAR WTB		200000	12294000
7	6/10/74 8	CAR WTB	40000		12334000
8	6/14/74 5	CAR WTB		100000	12234000
9	6/21/74 13	CAR WTB		200000	12034000
10	6/26/74 13	CAR WTB		100000	11934000
11	7/5/74 11	CAR WTB		200000	11734000
12	7/9/74 1	CAR WTB		100000	11634000
13	7/19/74 6	CAR WTB		400000	11234000
14	7/23/74 5	CAR WTB		100000	11134000
15	8/3/74 8	CAR WTB	80000		11214000
16	8/3/74 9	CAR WTB		40000	11174000
17	8/5/74 8	CAR WTB	40000		11214000
18	7/7/74 12	CAR WTB		20000	11194000
19	8/7/74 12	CAR WTB		10000	11174000
20	8/16/74 2	CAR WTB		200000	10974000

Non Fund

	DESCRIPTION	APPROVALS	DEBITS	CREDITS	BALANCE
1	8/22/74	PAI FORWARD 12	DR- 17414		10918000
2	9/1/74	3	DR- 17414	174000	10802000
3	9/9/74	12	DR- 17414	200000	10602000
4	9/9/74	12	DR- 17414	40000	10562000
5	9/10/74	1	DR- 17414	40000	10122000
6	9/14/74	12	DR- 17414	200000	9922000
7	9/18/74	3	DR- 17414	150000	9772000
8	10/4/74	6	DR- 17414	200000	9572000
9	10/8/74	7	DR- 17414	60000	9512000
10	10/2/74	8	DR- 17414	40000	9532000
11	10/11/74	8	DR- 17414	80000	9632000
12	11/4/74	12	DR- 17414	120000	9512000
13	11/4/74	12	DR- 17414	40000	9472000
14	11/5/74	3	DR- 17414	200000	9272000
15	11/12/74	4	DR- 17414	200000	9072000
16	11/26/74	8	DR- 17414	80000	9152000
17	12/6/74	7	DR- 17414	200000	8952000
18	12/7/74	12	DR- 17414	91000	8861000
19	12/12/74	1	DR- 17414	150000	8711000
20	12/13/74	7	DR- 17414	1000000	9711000
21	AS OF DEC 7, EXCH RATE = 0.4871				

Wen Fund

	DESCRIPTION	DEPALS	DEPOSITS	WITHDRAWALS	BALANCE
1	BAL FORWARD	\$1,250.00			\$1,100.00
2	12/20/74	3		150.00	950.00
3					
4	12/23/74	1	150.00	150.00	941.00
5					
6	12/27/74	13	200.00	200.00	921.00
7					
8	12/28/74	8	100.00	100.00	911.00
9					
10	12/30/74	1	200.00	200.00	911.00
11					
12					(183.73)
13					
14					
15					
16					
17				21,864.40	21,864.40
18				1,500.00	(1,500.00)
19					
20				5,089.94	7,054.24
21					
22	31-93 8.9				
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WON FUND

LEGER SHEET NO. L

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	5/21/73 BAL BROUGHT FORWARD FROM LEGER SHEET NO. 1	✓ 116 Jch			5316060
2	5/23/73 8	✓ 116 Jch		100000	3296060
3	6/1/73 1	✓ 116 Jch	100000		3296060
4	6/6/73 3	✓ 116 Jch		150000	3246060
5	6/7/73 8	✓ 116 Jch		100000	3146060
6	6/18/73 1	✓ 116 Jch	100000		3146060
7	6/19/73 1	✓ 116 Jch	100000		3146060
8	7/13/73 8	✓ 116 Jch		100000	3246060
9	7/19/73 2	✓ 116 Jch		150000	3096060
10	7/20/73 9	✓ 116 Jch		12000	3081060
11	7/25/73 1	✓ 116 Jch		200000	2881060
12	7/25/73 3	✓ 116 Jch		300000	2581060
13	7/25/73 2	✓ 116 Jch		100000	2481060
14	8/5/73 11	✓ 116 Jch		110000	2371060
15	8/19/73 9	✓ 116 Jch		35000	2336060
16	8/15/73 12	✓ 116 Jch		165000	2168060
17	8/24/73 1	✓ 116 Jch	50000		2168060
18	6/73 3	✓ 116 Jch		160000	2568060
19	9/6/73 1	✓ 116 Jch	150000		2568060
20	9/12/73 9	✓ 116 Jch		80000	2568060

WON FUND

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	300 PERNARD				2575060
2	9/14/73 3	✓ 196 JAH		200000	2375060
3	9/14/73 3	✓ 196 JAH		300000	2075060
4					
5	9/29/73 8	✓ 196 JAH	80000		2155060
6	9/29/73 6	✓ 196 JAH		100000	2055060
7	10/1/73 3	✓ 196 JAH		50000	1755060
8	10/4/73 1	✓ 196 JAH	50000		1805060
9	10/5/73 6	✓ 196 JAH		50000	1755060
10	10/19/73 9	✓ 196 JAH		20000	1735060
11	11/5/73 12	✓ 196 JAH		50000	1685060
12	11/10/73 9	✓ 196 JAH 5825.00			7623060
13	11/20/73 3	✓ 196 JAH		150000	7473060
14	11/20/73 1	✓ 196 JAH		150000	7323060
15	12/4/73 7	✓ 196 JAH 4000000			11315060
16	12/5/73 7	✓ 196 JAH		80000	11243060
17	12/11/73 5	✓ 196 JAH		100000	11143060
18	12/12/73 8	✓ 196 JAH	20000		11163060
19	12/18/73 1	✓ 196 JAH		100000	11063060
20	12/21/73 6	✓ 196 JAH		100000	10763060
21	12/23/73 2	✓ 196 JAH		50000	10713060
22	12/29/73 5	✓ 196 JAH		150000	10716560

WON FUND

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	8/20/72 BEGINNING BALANCE	JL-HB			70
2					
3	2/7/73 1	JL-HB/P	250000		250000
4					
5					
6					
7	2/14/73 2	JL-HB/P	60000		310000
8					
9					
10	3/16/73 1	JL-HB/P	152060		462060
11					
12					
13	4/16/73 1	JL-HB/P	355000		817060
14					
15					
16	4/22/73 8	JL-HB/P		11000	806060
17					
18					
19	4/29/73 9	JL-HB/P		10000	796060
20					
21					
22	4/29/73 6	JL-HB/P	60000		1396060
23					
24					
25	5/1/73 1	JL-HB/P	2000000		3396060
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33	3/27/73 802				
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Reviewed
7-6-73JESSE J.
W.M. Mador

3/27/73 802

Went Fund

	DESCRIPTION	APPROVALS	DEPOSITS	WITHDRAWALS	BALANCE
1	Bal. forward				10763.065
2	11/21/73	✓ 250 M		50000	10713.060
3					
4	11/21/73	✓ 100 M	50000		10763.060
5					
6	11/4/74	✓ 100 M	30000		10733.060
7					
8	11/5/74	✓ 100 M	30000		10703.060
9					
10	11/9/74	✓ 100 M	50000		10753.060
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159. Laws of the Republic of Korea concerning bribery, political donations, and foreign exchange, prepared by Dr. Sung Yoon Cho, Assistant to the Chief, Far Eastern Law Division, Law Library, Library of Congress, for the Sub-committee on International Organizations, April 1978

LAWS OF THE REPUBLIC OF KOREA CONCERNING BRIBERY,
POLITICAL DONATIONS, AND FOREIGN EXCHANGE

Prohibition against bribery

The subject of bribery is governed by the Criminal Code of
1/ 1953 and the National Public Servant Law of 1963. Under Article
129 of the Criminal Code, any public official who receives a bribe
in connection with his duties shall be punished by penal servitude
for not more than five years or suspension of his qualifications
for not more than ten years. Under Article 133 of the same Code,
any person who gives a bribe to a public official as set forth in
Article 129 is subject to punishment by penal servitude of not more
than five years or a fine of not more than twenty-five thousand won.
Although the Criminal Code was amended in 1975, Articles 129 and 133
remain unchanged.

Article 61 of the National Public Servant Law enacted in
1963 also prohibits public officials from accepting bribes; it stipu-
lates that "no public official shall receive directly or indirectly
a remuneration, gift, or feast in connection with his duties." The
Law has been changed four times since its enactment; however, Arti-
cle 61 has not been revised.

1/ Law No. 293, September 18, 1953, as amended by Law No. 2745,
March 25, 1975.

2/ Law No. 1325, April 17, 1963, as last amended by Law No. 2460,
February 5, 1973.

Control of political donations

Political donations are controlled by the Law Concerning Political Funds of 1965^{3/} and the Political Party Law of 1962.^{4/}

The purpose of the Law Concerning Political Funds enacted on February 9, 1965, was "to promote fairness in politics by disclosing activities involving political funds offered to political parties by businessmen, organizations, or the general public, thereby contributing to the sound development of democracy" (Article 1).

When the Law of 1965 was amended in 1973, the phrase "political parties" was amended to read "political groups." In the 1973 Law, a political group is defined as "a political party which is registered with the Central Election Management Committee in accordance with the Political Party Law, as well as a bargaining group consisting of members of the National Assembly who do not belong to any particular political party and who have submitted the group's name to the President of the National Assembly in accordance with Article 35 of the National Assembly Law" (Article 2). Other than this change in the definition of the term "political party," there are no significant differences between the 1965 Law and the 1973 revision.

^{3/} Law No. 1685, February 9, 1965, as amended by Law No. 2619, June 14, 1973.

^{4/} Law No. 1246, December 31, 1962, as last amended by Law No. 2618, June 14, 1973.

The Central Election Management Committee is composed of nine members, each appointed by the President of the Republic of Korea to serve for a five-year term. The Committee's primary functions are to see that elections and national referendums are managed fairly and to deal with affairs regarding political parties.^{5/}

Article 3 of both the 1965 and 1973 Laws states that any person with the exception of anyone falling under one of the items enumerated in Article 35 of the Political Party Law may contribute political funds to a political group by depositing money with the Central Election Management Committee.

Under Article 35 of the Political Party Law enacted on December 31, 1962, a political party is banned from receiving a donation, financial support, or other contribution in property from any person falling under any one of the following categories: (1) a foreign national, foreign corporation, or foreign organization except a foreign corporation or organization which is controlled by Korean nationals; (2) the government or a public entity; (3) a public enterprise or organization under government management or direct government supervision, or an enterprise in which more than half of its stock is owned by the government; (4) a labor organization; (5) a school foundation; or (6) a religious organization.

^{5/} Articles 111 and 112 of the Constitution of December 27, 1972.

Under Article 51 of the same Law, acceptance of a donation by a political party or a party official in violation of Article 35 carries a fine of not less than 200,000 won and not more than 500,000 won (prior to January 1972, amounts were not less than 50,000 won and not more than 100,000 won). In addition, money and other valuables contributed are to be confiscated. If it is impossible to confiscate the above, an equivalent value thereof may be collected. At the same time, any person falling under one of the items in Article 35 of the Political Party Law who makes such donation shall be punished by penal servitude not exceeding three years or a fine of not less than 200,000 won and not more than 500,000 won (amounts were not less than 50,000 won and not more than 100,000 prior to January 1972).

Although the Political Party Law has been revised four times since its enactment in 1962, the provisions of Article 35 and Article 51 (with the exception of the amounts of the fines) have not been changed, and they are presently in force. Therefore, payments made by a foreign national or a foreign corporation to a Korean party or a Korean party official in 1962 and any time thereafter are considered illegal.

Foreign exchange controls

6/

Under the Foreign Exchange Control Law of 1961, all foreign exchange transactions made by Korean nationals and foreign nationals are subject to exchange controls by the Ministry of Finance and the Bank of Korea. Except for the cases provided in the Law or the Presidential Decree issued thereunder, Article 21 of the Law expressly prohibits the following: (1) payment to a foreign country; (2) payment to a nonresident or receipt of payment from a nonresident; (3) payment to a resident on behalf of a nonresident or receipt of such payment; and (4) transfer in accounts with a nonresident. The above numbers (2) and (4), however, do not apply to payment in Korean currency by a nonresident in the Republic of Korea for his living expenses, purchases of daily necessities and services or payment in Korean currency by a nonresident for performing legitimate business in the Republic of Korea.

Exchange certificates are required for all foreign exchange expenditures, except for import payments under U.S. Public Law 480, payments made by commercial banks in connection with their business transactions, and for other payments of less than \$100 (as of 1975).

6/ Law No. 933, December 31, 1961, as last amended by Law No. 1920, March 30, 1967.

With very few exceptions, all proceeds from foreign exchange transactions must be surrendered to the Korea Exchange Bank or a designated foreign exchange bank against payment in won, or must be exchanged into equivalent foreign exchange certificates. The few exceptions are limited largely to transportation and insurance companies, and foreign nonresidents.

Foreign nationals may bring into Korea in any form any amount of foreign currency. Visitors may take out any authorized foreign currency originally brought into the country and declared at customs. Visitors may also convert won back into foreign currency up to a value of US \$200 (as of 1975), just prior to departure at any authorized foreign exchange bank, provided appropriate exchange conversion receipts proving prior conversion of foreign currency into won are in the foreigner's possession.

Any person who violates Article 21 of this Law is subject to imprisonment for a period not to exceed ten years, or a fine not to exceed ten million won; provided, however, that in case three times the value of the object of such punishable act is in excess of ten million won, the amount of the fine shall not be more than three times the price of the said object (Article 35).

There also is the Law Concerning Prevention of Flight
7/ of Domestic Properties of 1960. Article 1 of the Law provides that no person shall move or commit an act causing the removal of property in Korea to a foreign country for the purpose of flight of such property. Exceptions to Article 1 are approved by the government when daily necessities are needed for travel or a temporary stay abroad.

The property mentioned in Article 1 includes Korean currency, bank notes, negotiable instruments, bonds, gold, silver, precious metals, or jewelry; foreign currency, foreign paper money, foreign bank notes, foreign negotiable instruments, or foreign bonds; other movables; or ships.
8/

Any person violating Article 1 shall be punished by penal servitude or imprisonment not exceeding ten years, or a fine not exceeding one million won; provided, however, that in case three times the value of the object of such punishable act is in excess of one million won, the amount of the fine shall not be more than three times the price of the said object (Article 2).

7/ Law No. 129, April 21, 1960, as amended by Law No. 1143, September 17, 1962.

8/ Article 1 of the Enforcement Decree of the Law Concerning Prevention of Flight of Domestic Properties, Presidential Decree No. 4519, January 14, 1970.

160. The Crime of Slander against the State, Korean law promulgated
March 25, 1975

March 20, 1975

National Christian Ministers' Corps
for Realization of Social Justice

The Crime of Slander Against the State
(Amendment to the Criminal Law)

Ignoring the opposition parties, the pro-government majority in the National Assembly on March 19 unilaterally revised a portion of the criminal code to create this new "crime." Promulgated on March 25, this new law completely silenced all news reporting critical of the Park regime by Korean news agencies, and foreign correspondents in Korea were clearly subject to its penalties as well.

In Part II, Chapter 2 (the crime of inducing trouble from outside the state) of the Criminal Law, a new section, Section 2 of Article 104 (the crime of slander against the state) shall be established as in the following terms:

Article 104, Section 2 (the crime of slander against the state):

1. All Koreans who commit the following crimes outside of the country will be liable to sentences of up to seven years of imprisonment: slandering any national body which has been established by the constitution or spreading rumors or distorting facts about any such body; also all other activities which may harm the welfare and interest of or defame the Republic of Korea.
 2. All Koreans who commit the crime described in (1) inside the country in association with foreigners or foreign organizations will be liable to the same penalty.
 3. Also pertaining to (2), up to ten years' suspension of civil rights may also be applicable.
- Codicil: This law will be in effect as of the date of promulgation.

161. Foreign Corrupt Practices Act of 1977

91 STAT. 1494

PUBLIC LAW 95-213—DEC. 19, 1977

Public Law 95-213
95th Congress

An Act

Dec. 19, 1977
(S. 305)

To amend the Securities Exchange Act of 1934 to make it unlawful for an issuer of securities registered pursuant to section 12 of such Act or an issuer required to file reports pursuant to section 15(d) of such Act to make certain payments to foreign officials and other foreign persons, to require such issuers to maintain accurate records, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—FOREIGN CORRUPT PRACTICES

SHORT TITLE

Sec. 101. This title may be cited as the "Foreign Corrupt Practices Act of 1977".

ACCOUNTING STANDARDS

Assets,
transactions and
dispositions.
15 USC 78q.

15 USC 78l.
Pub. p. 1500.
Records,
maintenance.

Internal
accounting
controls,
establishment.

Exemptions
directive,
liability and
application.

Sec. 102. Section 13(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78q(b)) is amended by inserting "(1)" after "(b)" and by adding at the end thereof the following:

"(2) Every issuer which has a class of securities registered pursuant to section 12 of this title and every issuer which is required to file reports pursuant to section 15(d) of this title shall—

"(A) make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer; and

"(B) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that—

"(i) transactions are executed in accordance with management's general or specific authorization;

"(ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets;

"(iii) access to assets is permitted only in accordance with management's general or specific authorization; and

"(iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

"(3)(A) With respect to matters concerning the national security of the United States, no duty or liability under paragraph (2) of this subsection shall be imposed upon any person acting in cooperation with the head of any Federal department or agency responsible for such matters if such act in cooperation with such head of a department or agency was done upon the specific, written directive of the head of such department or agency pursuant to Presidential authority to issue such directives. Each directive issued under this paragraph shall set forth the specific facts and circumstances with respect to which the provisions of this paragraph are to be involved. Each such directive shall, unless renewed in writing, expire one year after the date of issuance.

"(B) Each head of a Federal department or agency of the United States who issues a directive pursuant to this section shall maintain a complete file of all such directives and shall, on October 1 of each year, transmit a summary of matters covered by such directives in force at any time during the previous year to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate."

*File maintenance.
Annual summary,
transmitted to
congressional
committees.*

FOREIGN CORRUPT PRACTICES BY ISSUERS

Sec. 103. (a) The Securities Exchange Act of 1934 is amended by inserting after section 30 the following new section:

"FOREIGN CORRUPT PRACTICES BY ISSUERS"

"Sec. 30A. (a) It shall be unlawful for any issuer which has a class of securities registered pursuant to section 12 of this title or which is required to file reports under section 15(d) of this title, or for any officer, director, employee, or agent of such issuer or any stockholder thereof acting on behalf of such issuer, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to—

15 USC 78dd-1.
15 USC 78L.
Pub. p. 1500.

"(1) any foreign official for purposes of—

"(A) influencing any act or decision of such foreign official in his official capacity, including a decision to fail to perform his official functions; or

"(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality;

in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person;

"(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of—

"(A) influencing any act or decision of such party, official, or candidate in its or his official capacity, including a decision to fail to perform its or his official functions; or

"(B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person; or

"(3) any person, while knowing or having reason to know that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of—

"(A) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, including a decision to fail to perform his or its official functions; or

"(B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence

~~Foreign
Official~~

any act or decision of such government or instrumentality, in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person.

(b) As used in this section, the term 'foreign official' means any officer or employee of a foreign government or any department, agency, or instrumentality thereof, or any person acting in an official capacity for or on behalf of such government or department, agency, or instrumentality. Such term does not include any employee of a foreign government or any department, agency, or instrumentality thereof whose duties are essentially ministerial or clerical."

(b)(1) Section 32(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78f(a)) is amended by inserting "(other than section 30A)" immediately after "title" the first place it appears.

(2) Section 32 of the Securities Exchange Act of 1934 (15 U.S.C. 78f) is amended by adding at the end thereof the following new subsection:

"(c) Any issuer which violates section 30A(a) of this title shall, upon conviction, be fined not more than \$1,000,000.

"(2) Any officer or director of an issuer, or any stockholder acting on behalf of such issuer, who willfully violates section 30A(a) of this title shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than five years, or both.

"(3) Whenever an issuer is found to have violated section 30A(a) of this title, any employee or agent of such issuer who is a United States citizen, national, or resident or is otherwise subject to the jurisdiction of the United States (other than an officer, director, or stockholder of such issuer), and who willfully carried out the act or practice constituting such violation shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than five years, or both.

"(4) Whenever a fine is imposed under paragraph (2) or (3) of this subsection upon any officer, director, stockholder, employee, or agent of an issuer, such fine shall not be paid, directly or indirectly, by such issuer.".

FOREIGN CORRUPT PRACTICES BY DOMESTIC CONCERN

15 USC 78dd-2.

Sec. 104. (a) It shall be unlawful for any domestic concern, other than an issuer which is subject to section 30A of the Securities Exchange Act of 1934, or any officer, director, employee, or agent of such domestic concern or any stockholder thereof acting on behalf of such domestic concern, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to—

(1) any foreign official for purposes of—

(A) influencing any act or decision of such foreign official in his official capacity, including a decision to fail to perform his official functions; or

(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person;

(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of—

(A) influencing any act or decision of such party, official, or candidate in its or his official capacity, including a decision to fail to perform its or his official functions; or

(B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing or having reason to know that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of—

(A) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, including a decision to fail to perform his or its official functions; or

(B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist such domestic concern in obtaining or retaining business for or with, or directing business to, any person.

(b) (1) (A) Except as provided in subparagraph (B), any domestic concern which violates subsection (a) shall, upon conviction, be fined not more than \$1,000,000.

(B) Any individual who is a domestic concern and who willfully violates subsection (a) shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than five years, or both.

(2) Any officer or director of a domestic concern, or stockholder acting on behalf of such domestic concern, who willfully violates subsection (a) shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than five years, or both.

(3) Whenever a domestic concern is found to have violated subsection (a) of this section, any employee or agent of such domestic concern who is a United States citizen, national, or resident or is otherwise subject to the jurisdiction of the United States (other than an officer, director, or stockholder acting on behalf of such domestic concern), and who willfully carried out the act or practice constituting such violation shall, upon conviction, be fined not more than \$10,000, or imprisoned not more than five years, or both.

(4) Whenever a fine is imposed under paragraph (2) or (3) of this subsection upon any officer, director, stockholder, employee, or agent of a domestic concern, such fine shall not be paid, directly or indirectly, by such domestic concern.

(e) Whenever it appears to the Attorney General that any domestic concern, or officer, director, employee, agent, or stockholder thereof, is engaged, or is about to engage, in any act or practice constituting a violation of subsection (a) of this section, the Attorney General may, in his discretion, bring a civil action in an appropriate district court of the United States to enjoin such act or practice, and upon a proper showing a permanent or temporary injunction or a temporary restraining order shall be granted without bond.

Punishments.

Civil action.

Definitions.**(d) As used in this section:**

(1) The term "domestic concern" means (A) any individual who is a citizen, national, or resident of the United States; or (B) any corporation, partnership, association, joint-stock company, business trust, unincorporated organization, or sole proprietorship which has its principal place of business in the United States, or which is organized under the laws of a State of the United States or a territory, possession, or commonwealth of the United States.

(2) The term "foreign official" means any officer or employee of a foreign government or any department, agency, or instrumentality thereof, or any person acting in an official capacity for or on behalf of any such government or department, agency, or instrumentality. Such term does not include any employee of a foreign government or any department, agency, or instrumentality thereof whose duties are essentially ministerial or clerical.

(3) The term "interstate commerce" means trade, commerce, transportation, or communication among the several States, or between any foreign country and any State or between any State and any place or ship outside thereof. Such term includes the intrastate use of (A) a telephone or other interstate means of communication, or (B) any other interstate instrumentality.

**Domestic and
Foreign
Investment
Improved
Disclosure Act of
1977.
15 USC 78a note.
Equity security
acquisitions,
statements, filing,
Comments.**

**15 USC 78L.
15 USC 80a-51.**

TITLE II—DISCLOSURE

Sec. 201. This title may be cited as the "Domestic and Foreign Investment Improved Disclosure Act of 1977".

Sec. 202. Section 18(d)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended to read as follows:

"(d)(1) Any person who, after acquiring directly or indirectly the beneficial ownership of any equity security of a class which is registered pursuant to section 12 of this title, or any equity security of an insurance company which would have been required to be so registered except for the exemption contained in section 12(g)(2)(G) of this title, or any equity security issued by a closed-end investment company registered under the Investment Company Act of 1940, is directly or indirectly the beneficial owner of more than 5 per centum of such class shall, within ten days after such acquisition, send to the issuer of the security at its principal executive office, by registered or certified mail, send to each exchange where the security is traded, and file with the Commission, a statement containing such of the following information, and such additional information, as the Commission may by rules and regulations, prescribe as necessary or appropriate in the public interest or for the protection of investors—

"(A) the background, and identity, residence, and citizenship of, and the nature of such beneficial ownership by, such person and all other persons by whom or on whose behalf the purchases have been or are to be effected;

"(B) the source and amount of the funds or other consideration used or to be used in making the purchases, and if any part of the purchase price is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading such security, a description of the transaction and the names of the parties thereto, except that where a source of funds is a loan made in the ordinary course of business by a bank, as defined in section 3(a)(6) of this title, if the person filing such statement so requests, the name of the bank shall not be made available to the public;

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91 STAT. 1499

"(C) if the purpose of the purchases or prospective purchases is to acquire control of the business of the issuer of the securities, any plans or proposals which such persons may have to liquidate such issuer, to sell its assets to or merge it with any other persons, or to make any other major change in its business or corporate structure;

"(D) the number of shares of such security which are beneficially owned, and the number of shares concerning which there is a right to acquire, directly or indirectly, by (i) such person, and (ii) by each associate of such person, giving the background, identity, residence, and citizenship of each such associate; and

"(E) information as to any contracts, arrangements, or understandings with any person with respect to any securities of the issuer, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies, naming the persons with whom such contracts, arrangements, or understandings have been entered into, and giving the details thereof."

Sec. 203. Section 13 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m), is amended by adding at the end thereof the following new subsection:

Equity security ownership, amendment, filing.

"(g)(1) Any person who is directly or indirectly the beneficial owner of more than 5 per centum of any security of a class described in subsection (d)(1) of this section shall send to the issuer of the security and shall file with the Commission a statement setting forth, in such form and at such time as the Commission may, by rule, prescribe—

"(A) such person's identity, residence, and citizenship; and

"(B) the number and description of the shares in which such person has an interest and the nature of such interest.

Amendments.

"(2) If any material change occurs in the facts set forth in the statement sent to the issuer and filed with the Commission, an amendment shall be transmitted to the issuer and shall be filed with the Commission, in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

Persons.

"(3) When two or more persons act as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding, or disposing of securities of an issuer, such syndicate or group shall be deemed a 'person' for the purposes of this subsection.

"(4) In determining, for purposes of this subsection, any percentage of a class of any security, such class shall be deemed to consist of the amount of the outstanding securities of such class, exclusive of any securities of such class held by or for the account of the issuer or a subsidiary of the issuer.

"(5) In exercising its authority under this subsection, the Commission shall take such steps as it deems necessary or appropriate in the public interest or for the protection of investors: (A) to achieve centralized reporting of information regarding ownership, (B) to avoid unnecessarily duplicative reporting by and minimize the compliance burden on persons required to report, and (C) to tabulate and promptly make available the information contained in any report filed pursuant to this subsection in a manner which will, in the view of the Commission, maximize the usefulness of the information to other Federal and State agencies and the public.

Information availability.

91 STAT. 1500

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Exemption.

"(6) The Commission may, by rule or order, exempt, in whole or in part, any person or class of persons from any or all of the reporting requirements of this subsection as it deems necessary or appropriate in the public interest or for the protection of investors.

Report to Congress.

Am. p. 1498.

"(h) The Commission shall report to the Congress within thirty months of the date of enactment of this subsection with respect to (1) the effectiveness of the ownership reporting requirements contained in this title, and (2) the desirability and the feasibility of reducing or otherwise modifying the 5 per centum threshold used in subsections (d)(1) and (g)(1) of this section, giving appropriate consideration to—

"(A) the incidence of avoidance of reporting by beneficial owners using multiple holders of record;

"(B) the cost of compliance to persons required to report;

"(C) the cost to issuers and others of processing and disseminating the reported information;

"(D) the effect of such action on the securities markets, including the system for the clearance and settlement of securities transactions;

"(E) the benefits to investors and to the public;

"(F) any bona fide interests of individuals in the privacy of their financial affairs;

"(G) the extent to which such reported information gives or would give any person an undue advantage in connection with activities subject to sections 13(d) and 14(d) of this title;

"(H) the need for such information in connection with the administration and enforcement of this title; and

"(I) such other matters as the Commission may deem relevant, including the information obtained pursuant to section 13(f) of this title."

15 USC 78n.

"Hold of record,"
definition.
15 USC 78n.

Sec. 204. Section 15(d) of the Securities Exchange Act of 1934 is amended by inserting immediately before the last sentence the following new sentence: "The Commission may, for the purpose of this subsection, define by rules and regulations the term 'hold of record' as it deems necessary or appropriate in the public interest or for the protection of investors in order to prevent circumvention of the provisions of this subsection."

Approved December 19, 1977.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 95-640 accompanying H.R. 3815 (Comm. on Interstate and Foreign Commerce) and No. 95-831 (Comm. of Conference).
SENATE REPORT No. 95-114 (Comm. on Banking, Housing, and Urban Affairs).

CONGRESSIONAL RECORD, Vol. 123 (1977).

May 5, considered and passed Senate.

Nov. 1, considered and passed House, amended, in lieu of H.R. 3815.

Dec. 6, Senate agreed to conference report.

Dec. 7, House agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 18, No. 29.
 Dec. 30, Presidential statement.

162. A. M. Rosenthal, "Korea Junta Seizes Graft Inquiry Team," New York Times, October 8, 1961

By A. M. ROSENTHAL

Special to The New York Times

SEOUL, Korea, Oct. 7—South Korea's military regime announced today the arrest of all the members of its own investigation team appointed to punish perpetrators of corruption.

The investigators are being accused of accepting bribes from Korean business men charged with having accumulated illegal fortunes during previous regimes. In exchange for the bribes, investigators are alleged to have levied only small fines against the business men.

Fifteen army officers, some of them close to members of the junta that rules South Korea, were on the team. Also arrested were twenty-eight civilian inspectors and auditors and several legal experts who had a hand in drawing up the punishment laws. According to reliable sources here other civilians and army officers not on the investigation team also were arrested as part of the anti-corruption drive being carried out by the powerful Korean Central Intelligence Agency.

Feuding Reported

The inquiry and arrests were reported here to have touched off feuding between high officers in the regime and to have accentuated the Government's chief internal danger—factional struggles among army officers who engineered and carried out a military coup in May.

Informed Korean and foreign sources in Seoul say that Maj. Gen. Pak Chung Hi, chief of the Supreme Council for National Reconstruction, still is in control but that friction be-

tween cliques in the junta still represents a threat to stability.

The man pushing the investigation has been Col. Kim Chong Pil, whose job as chief of the Central Intelligence Agency makes him one of the most powerful men in the country. Colonel Kim is regarded as the leader of a group of angry young officers who helped General Pak plan the coup.

Informed Koreans and foreigners here say that General Pak is fighting to keep a balance between Colonel Kim and another high ranking officer in the Government—Maj. Gen. Li Ju Il, vice chairman of the Supreme Council. Until he was named vice chairman, General Li was head of the council's subcommittee on punishment for corruption, under which the arrested investigation team operated.

Threat Always Present

On the surface everything is quiet in Seoul. There is no evidence that the Government is tottering. But in a revolutionary regime as young as General Pak's the threat of a new coup is never really absent from the minds of the leaders and the public. For the United States, which has supported General Pak and invested its prestige in him by inviting him to visit Washington next month, another coup would represent a heavy political blow.

Supporters of the regime, however, take comfort from the fact that General Pak was confident enough to have made public news of the arrests after the city had been full of rumors for weeks. General Pak bases much of his claim to popularity on the promise that he will wipe out corruption, a part of Korean official life for centuries.

The decision to make public the fact that some of the new regime's own men were suspected of corruption, therefore, was not an easy one. But polit-

ical observers here believe that if he can maintain stability, General Pak will benefit in the long run from showing publicly that the anti-corruption drive extends to his own men as well as to his former opponents.

This was a point emphasized in the Government announcement of the arrest of the investigation team. The arrests took place Sept. 25.

The announcement said:

"When the revolutionary Government discovers any mistakes or offenses committed by itself it will never hesitate to admit them and correct them. It goes without saying that the revolutionary Government will justly and severely investigate and dispose of those who committed the misconduct. It will also impose severe punishment on anyone who commits acts disgracing the revolution whatever position or rank he might hold."

Ironically, all of the arrested officers had received official commendations when their inquiry ended in August. Col. Lee Chung Soon, chief of the team, received a commendation from General Pak himself.

163. Milton S. Gwirtzman, "Is Bribery Defensible?" New York Times Magazine, October 5, 1975

IS BRIBERY DEFENSIBLE?

Oct. 5 VI 19

'No payoff, no contract' is a hallowed—even legal—way of doing business abroad.

But the post-Watergate moralists say it is time to change the system.

ZG
By Milton S. Gwirtzman

It has been above 110 degrees each day in the dusty Middle Eastern capital city. The American sales representative has already been through two bouts with dysentery; worse yet, the only liquor available is a foul substance called "ponsoo." After three months of presentations before lesser officials, the American is finally granted an audience with the Minister. For the nth time, he goes through his product's performance, his company's reputation, the attractive price. The Minister Nansen, obviously bored, then points to a round little man in the back of the room. "This is Mr. Faust," he says. "Mr. Faust will pay a visit upon you tonight."

That evening, over still more glasses of ponsoo, Mr. Faust informs the American he can have the contract if his company will pay \$1-million to the Minister. A quick exchange of coded cables with the home office, and the bargain is sealed. As fast as he can clear out, the American heads for the airport and home.

This has not been an easy year for American business. Still struggling to recover from the worst sales decline in 30 years, the business community has been hit with sweeping new regulations of its products and advertising by the Government, and with increasing complaints about high prices and defective merchandise by a public whose faith in the free-enterprise system, according to recent polls, has sunk to a new low. In this already embattled atmosphere, some of the big multinational firms

have been targets of a largely publicized series of revelations concerning bribery and payoffs abroad. Some of the country's flagship corporations—Exxon, Lockheed, Northrop, Gulf, United Brands—have admitted funneling massive amounts of cash to officials of foreign governments and bidding the transactions from their shareholders and directors. With their backs as well as their profits under attack, many businesses view themselves as Rob Roy in a shroud of bribe.

Of all the tribulations, the exposure of shady foreign business practices was the most unexpected, concerning as it does a practice that has existed at least since the 1800's, when the British East India Company won duty-free treatment for its exports by giving Mogul rulers "rare treasures."

Including paintings, carvings and "costly objects made of copper, brass and stone." No less than Great Britain and Sweden, whose standards of government ethics are a good deal stricter than our own, take it for granted that businesses will pay bribes when operating abroad, especially in developing countries. "Without it," says The Financial Times of London, "business simply would not get done." The only difficulty such bribes pose for British firms, according to a recent survey by The Financial Times, is one of morale. Some British executives feel unfairly treated when comparing their own modest and highly taxed salaries with what The Times calls "the large, tax-free rewards going to an assortment of foreign middlemen."

But in the United States, this traditional way of doing business abroad has become food for scandal because of the new climate of openness and honesty that former Vice President Agnew ruthlessly but accurately called in his resignation speech the "post-Watergate morality." It was largely corporate funds, laundered in foreign countries and returned to the U.S. in black suitcases, that financed the Watergate break-in and the subsequent illegal payoffs to cover it up. In the course of his investigation, the Special Prosecutor's Office found in the possession of Richard Nixon's personal secretary a list of firms that had made illegal corporate contributions to President Nixon's campaign. The Securities and Exchange Commission, which protects shareholders by re- (Continued on Page 19)

Continued from Page 19

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quaring companies to disclose material facts of their activities, went after the firms for failure to report these contributions to their owners. Further probing revealed that some of the devices used to hide illegal contributions had also been used to hide the bribery of foreign officials from the companies' shareholders, and even from their own auditors. The SEC then moved to require disclosure of the questionable overseas practices, arguing that, while there is no law against such payments, the amounts of the bribes and the names of the recipients were important facts that present and prospective shareholders had a right to know.

Firms caught up in these proceedings feel as if they have been hit by a ton of bricks. When the facts began to unravel about a \$125-million bribe paid by United Brands to the former President of Honduras to reduce the tax on the production of bananas, the company's president committed suicide, its stock dropped 40 per cent, its holdings in Panama were expropriated and its tax and tariff concessions in Honduras were revoked.

The Internal Revenue Service is investigating more than 100 corporations for improperly deducting payoffs and political contributions on their tax return. (A bribe is not a legitimate business deduction, an agent's fee is.) A series of hearings by the Senate Subcommittee on Multinational Corporations, led by Senator Frank Church of Idaho, has fueled a push for new legislation, ranging from compulsory disclosure of such payments to their criminal prosecution to a requirement that the State Department keep watch on American businessmen and report all suspicious activities to the appropriate U.S. authorities.

All of this presents the

American businessman operating abroad with a seemingly cruel dilemma. If he keeps paying foreign officials, he runs afoul of the post-Watergate morality in all its fury. If he is prevented from making these payments, either by law or by the chilling effect of disclosure, he risks the loss of important sales and investment opportunities to foreign competitors, who can apparently continue to pay bribes without embarrassment. The Lockheed case presents the most dramatic example of this predicament; despite considerable initial pressure from Congress and the SEC, the company refused to reveal the names of the recipients of the \$20-million to \$30-million in bribes it admitted having paid in the last five years. The firm,

The American businessman who won't pay off foreign officials risks loss of sales to competitors who continue the practice without embarrassment.

represented by former Secretary of State William Rogers, argues that if the whole truth were known about what it did to secure orders for aircraft from certain foreign governments, the orders could well be canceled, the company ruined, and the \$200-million loan the Government has made to keep Lockheed afloat would be lost for good. Lockheed did agree to pass no more bribes, and it subsequently lost a jumbo-jet contract in India to a French company that, Lockheed alleges, had contributed \$1.5-million to the ruling Congress party.

American business activities abroad generate 15 per cent of the gross national product, 30 per cent of the total profits of the nation's corporations and an estimated 10 million American jobs. In large measure, the preservation of our current fragile economic health depends upon profits from foreign investment and dollars earned through overseas sales. It is important, therefore, to consider the true extent of the problem of foreign bribery, and its under-

lying causes, in order to decide what might be done about it.

Oct. 5 *U.S. business abroad* **U.S.** the gamut from the people who sell the American college T-shirts so popular with the young in foreign countries, to Exxon, whose revenues from foreign operations total \$27-billion a year. The ordinary businessman sells to private concerns. He is not enthralled in the kind of payoffs that have been making news. Most American exporters have dealt with upright communist merchants in Europe and elsewhere for years. They may have to cross the path of a local customs inspector to clear a shipment, or be overly generous at holiday time, but by and large

the goods they offer are purchased or rejected on the basis of price and quality. The side inducements are no different from those that are part of daily practice in almost every field of business in the United States.

In general, the larger the company, the bigger the deal. The bigger the deal, the more heavily involved the foreign government is, either as purchaser, owner of natural resources or regulator. The bigger the government's stake, the more likely it is that large amounts of money will pass under the table. From the revelations of recent months, few can contest that graft and bribery of significant proportions are widespread, particularly in the developing countries. And the system by which the U.S. Government, the world's biggest arms merchant, sells its wares through private American firms is apparently shot through with corruption, not only in Asia and the Middle East, but in Europe as well.

The biggest payoffs are made by the large multinational companies, and they are part of a broader tendency to place the corporations' interests ahead of those of the countries in which they operate. Some multinationals can, and have, moved factories from country to country with little regard for the workers involved and shifted profits earned in one country to others where the tax systems are more indulgent. Studies have shown that multinational firms' ability to transfer large sums of money from one currency to another at a profit played an important role in the devaluation or revaluation of each of the world's major currencies over the past seven years, and the resultant breakdown in the world monetary

system that had previously been based on fixed parities between national currencies. (When former President Nixon blamed the devaluation of the dollar on "international speculators," he was speaking of some of his heaviest campaign contributors.) When firms routinely engage in these kinds of maneuvers, concepts of moral ethics as well as national allegiance tend to blur. Lawyers for Investors Overseas Services, during the heyday of the Swiss-based mutual fund conglomerate, once advised their chairman, Bernard Cornfeld, that his best option as a man with a six-figure tax bill would be to become a citizen of Iceland.

Top managers of these companies often follow a lifestyle that tends to encourage unethical practices. Some heads of multinationals companies have virtually unrestricted power. Jetting around the world in their personal planes, whisked from one meeting to the next by limousine, with immediate access to millions of dollars to spend as they see fit, they are driven by one overriding goal: to improve the company's earnings. This style of management has some advantages, but time for ethical reflection is not among them. These multinational managers are neither grafters nor thieves, but somewhere in the frenzy of travel, pressure and ambition they may lose their ability to balance the needs of their shareholders with the accepted standards of moral behavior. It happens at home — to this day, tobacco companies refuse to concede any medical link between cancer and cigarettes. It happens far more easily abroad, where the managers feel less sense of local commitment and may not develop the ethical antennae that result from having to relate to one's neighbors.

Now can they always look for help to their shareholders and directors. At the annual meeting of United Brands in August the majority of shareholders were far more concerned with the company's passing its earnings dividend than with its massive tribes in Central America. They cheered a statement by one of their number that bribery

was "essential in doing business in many parts of the world." At the annual meeting of Exxon, a resolution to require disclosure of the firm's payments abroad was defeated, 87 per cent to 3 per cent. Despite the devastating publicity suffered by Ashland

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Oil for payoffs in four countries and illegal contributions to scores of U.S. politicians, its directors recommended against firing its chief executive, Orin Atkins (who was directly responsible for most of the payments), on the ground that since he had taken over, the corporation's net income had grown from \$31-million to \$113-million.

If corporate bribery abroad has offended the post-Watergate morality, the companies implicated have nevertheless taken a greater share of the blame than they deserve. Bribery abroad is not exactly the corruption of innocents. Several of the incidents spotlighted by the Senate hearings smack more of protection and extortion than of simple bribery. In the most outrageous case, the chairman of the ruling party in South Korea threatened to close the \$300-million operation of Gulf Oil in that country unless the company made a donation of \$10-million to his party's

presidential campaign. Gulf's chairman, Bob Dorsey, was able to shave the demand down from \$10-million, which he considered "not in the interests of the company" to \$3-million, which he said was.

The reasons multinationals must do business amid a profusion of outstretched hands go deep into the history and structure of the lands in which they operate. In much of Asia and Africa, the market economy as we know it, in which the sale of goods and services is governed by price and quality competition, never has existed. What has developed in its stead are intricate tribal and oligarchical arrangements of social connections, family relations and reciprocal obligations, lubricated by many forms of tribute, including currency. In a meeting at the Department of Defense in 1973 (a report of which was subsumed from

the files of the Northrop Corporation) Adnan Khashoggi, one of the most successful middlemen in the Middle East, justified his enormous sales commissions—\$45-million on a single deal for fighter planes—by his need to cover his operating expenses and also

take care of his pecuniary "bothering," said Saudi Arabia's royal family. Another memo explained Monogram had lost a contract to build a communications system by noting that Saudi officials wished to help out the local agent of a Northrop competitor, one Ibrahim el-Zabed. "They felt," the memo said, "that by awarding a contract to him, he will make enough money to pay off his debts." This may sound like an amazing reason to people setting in Century City [Northrop's California headquarters], but can be a very valid one in Saudi Arabia."

In most developing countries, civil-service salaries are deliberately low—the average Indian bureaucrat makes \$1,600 a year—on the assumption that people will supplement their salaries by taking money where they can find it. Whereas political instability is the rule, the tenure of high officials is always uncertain and often short. Bribery provides a form of retirement fund. It is considered far more patriotic to take the money from rich foreign corporations than out of one's own country.

None of this is new. Some

70 years ago, Joseph Conrad wrote, in "Nostromo," about the mythical Latin republic of Costaguana, in which a foreign-owned silver mine kept a regular payroll of governors and officials. The brother of the insurgent general spoke of his intention "to demand a share in every enterprise — in railways, in mines, in sugar estates, in cotton mills, in neck and every undertaking—as the price of his protection." Since the voyages of discovery, foreigners have come to the Third World to extract what they could from its land and its labor. This extraction has

In many developing countries, civil service salaries are low and tenure is brief and uncertain. Bribes provide a form of retirement fund.

been countered by levies on them for the benefit of those in power at the moment. Despite their undoubted role in modernizing the economies of developing countries, foreign companies are still looked upon by the people of the Third World as latter-day conqueradors. Little wonder that when the recent revelations of bribery became sensational worldwide news, the wrath of the nations involved was directed almost solely at the companies. When Ashton admitted it had paid \$150,000 to the President and Prime Minister of Gabon to protect oil concessions, the Government accused the company of blackmail and racism, in fact, in much of Africa, the historic resentment¹ while exploitation impels black regimes to demand bribes from Western companies without moral qualms.

The responsibility for pre-

Oct. 5 — ~~WHO~~ ~~has~~ ~~been~~
ent practices ~~should~~ ~~be~~
shared by our Government,
which not only encouraged
investment in countries whose
moral standards differ from
ours, but also in many re-
spects set the pattern for the
graft under censure today.
American intelligence agen-
cies have regularly dealt in
bribery and payoffs wherever
they seemed to be useful tools
in strengthening American in-
fluence abroad and frustrating
the designs of Communist na-
tions. Bribes have been used not
just to acquire useful in-
formation, but to restore the
Shah to power in Iran, to
purchase votes in international
organizations against Cuba,
and to "destabilize" the Al-
ende Government in Chile.
We shall probably never know
how many of the electoral
campaigns of pro-West political
parties were financed by
secret contributions from the
C.I.A. The important thing
here is that there have been
accepted tactics for more than
a generation.

The rapid acceleration of American private investment in foreign lands, which began in the mid-nineteenth century, was seen by our foreign policy makers as an economic opportunity. If U.S. firms could build a nation's infrastructure, supply its consumer goods, and hire a portion of its workforce, the greater the likelihood the nation would be bound to ours by the safest and strongest of ties, economic self-interest.

As a result, our Government urged the foreign investment laws of several developing countries and urged our multinationals to make use of them. New programs were established to insure foreign investments against the risks of war and expropriation. Embassy personnel were ordered to assess export possibilities for American firms, which were published in the Commerce Business Daily list of business opportunities. —

Sometimes the government-business relationship was even closer than K seemed to believe. After the 1967 exposé of the C.I.A.'s use of American student groups as fronts for intelligence activities, the C.I.A. decided that new organizations were needed for the purpose of deep cover. A special office was established in Washington to place agents in the overseas offices of American companies. At the same time, motivational bureaus were recruiting former intelligence agents to run their operations abroad. Often this meant a man retired from the Government, in whose service he had hired foreign officials, to begin a new career, bribing the same officials on behalf of private enterprises. When Kermit ("K") house-visit Jr., grandson of President Theodore Roosevelt, became an "international consultant" to Northrop and other clients, he was able to use the same network of spies he had run when head of operations for the C.I.A. in the Middle East.

(Roosevelt himself has not been linked to any bribe attempts. For Northrop, he concentrated on intelligence-gathering and high-level contacts. He is said to have told one old friend that he "always stayed away from the pay-meets side.")

Arms sales provide the most dramatic and dangerous example of corporate profit-seeking, foreign customs and U.S. policy goals combining to create a massive network of bribery. As cutbacks in Western defense budgets have dried up domestic markets for arms, purchases by Third World countries have increased. In addition to maintaining domestic employment and lowering the unit cost of arms produced for our own defense, such exports were considered by our Government to be the most effective way of countering

ing diplomatic relations. Neighboring countries, it was argued, would find it difficult to stay out of the U.S. orbit if they depended upon us for their military hardware, its maintenance and spare parts, and the training of personnel in its use.

When the war in 1967 wounded oil, the most important market for armaments became the Middle East. For a generation, the U.S. and the Soviet Union, as well as Britain and France, have tried to strengthen their influence in that region by catering to the Arab rulers' fears of Israel and each other. The sharp rise in the price of OPEC oil gave the Arabs the means to buy the most sophisticated modern weaponry. Such sales have become a vital element of the "recycling" procedure, by which Western countries try to earn back some of their petro-dollars. From less than \$1 billion in 1968, the total arms imports of Middle Eastern nations, including Israel, have shot to more than \$60 billion since 1974. Last year, the United States alone sold \$12-billion worth of armaments, more than half of them going to Iran, where the Shah has expressed a keen interest in purchasing aircraft capable of penetrating nuclear weapons.

A man could retire from a Government job that involved bribing foreign officials to begin a business career bribing the same officials.

Given the stiff competition from other countries and the way business is done in that region, the Middle East arms race was bound to generate millions of dollars in graft. Under recent Saudi Arabian law, no foreign company can do business without a local

agent. When Northrop, with strong encouragement from the Pentagon, undertook to sell its F-5 fighter planes there, the Saudi Minister of Defense told Kermit Roosevelt to advise the firm to hire Adnan Khashoggi, who had previously been the agent for Lockheed and Raytheon. To get the sale approved, the firm fat-tened Khashoggi's fee to include \$450,000 for two Saudi Air Force generals who were threatening to hold up the deal. Northrop president Thomas Jones says he knew nothing about this, but admits that on a quick trip to Jidda, the graft question was raised, and he told Khashoggi that "Northrop is a company that meets its obligations." The bribe money was deducted from Northrop's income tax and included as a reimbursable cost in its bill to the Department of Defense. Since the recent scandals, both claims have been withdrawn. Some of the fighters were transferred by the Saudis to Egypt and Syria for use against Israel. Thus the U.S. Government is encouraging unethical practices in order to unload American weapons that increase the risk of war.

For all these reasons, it would be unwise, as well as unfair, simply to write off bribery abroad to corporate lust. It is a symbol of far deeper issues that really involve America's role in the world. For the past 20 years, from Dean Acheson to Henry Kissinger, the governing principle of U.S. foreign policy has been that a Communist threat to our nation's vital interests ought sufficient to

require a major American presence throughout the world and whatever means are necessary to maintain U.S. influence.

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Since our multinational companies, like Government agencies, are important instruments of our nation's global power, it is argued they should not be hobbled by home-bred notions of business morality. After all, if such firms were Government-owned, as many of their foreign competitors are, their managers would be servants of the state and presumably have the same license as intelligence agents to pass bribes for the good of the country. And is there really a distinction in this regard between state-owned companies and firms like Northrop and Lockheed, whose customers are governments and whose products give our policies their clout? If ending these practices means that other nations, through their instruments of power, will best us in the contest for international influence, don't we almost have to hold our noses and let the multinationals do what they say they must?

There is, of course, a growing force of opinion in this country that holds such a view of our past foreign policy to be both obsolete and dangerous, arguing that bribery abroad goes hand in hand with coziness with dictators, the excesses of the C.I.A. and everything else that has put us on the defensive in so many parts of the world. A foreign policy that at one stroke can justify bribes, the purchase of influence, the overthrow of governments and assassinations of foreign

leaders subverts not just the free-enterprise system, but all our national ideals. Moreover, in its own terms, it doesn't work. The brutal lesson of Vietnam and Cambodia was that a corrupt regime, no matter how great its friendship for or dependence upon the United States, does not serve our interests; no amount of armaments can save such a regime from ultimate rejection by its own people. In China, Cuba, Algeria, Vietnam and—potentially—Portugal, the issue of graft among the ruling class has been an important part of the revolutionary appeal of Communist movements. The people who have taken over in these countries, whatever their other failings, usually are fanatically puritanical when it comes to rejecting bribes. If American policy results in more revolutions, not only will U.S. influence be destroyed, but trade will cease and the assets of American firms will be expropriated. Thus even by the test of the most single-minded corporate manager, bribery is ultimately bad for business.

These opposite views of American foreign policy cannot be resolved by argument. With the right pair of candidates, they may be a central issue in next year's Presidential election. One thing is certain, however: To implement this last view will require far greater changes in how our country acts abroad than the mere cessation of graft. If that is all that changes, business will be handicapped in many foreign countries and our economy may suffer as a result.

Yet this may be exactly
(Continued on Page 110)

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what occurs. The investigations by Congress and the S.E.C. have enjoyed a remarkable staying power on the front pages of the nation's press. The revelations undoubtedly have struck a sensitive national nerve. A sufficient head of steam exists in Congress to push through new laws outlawing both bribery and political contributions abroad. Whether such a law is sensible or even

enforceable, is another question. It has always been difficult to give extraterritorial effect to American criminal law, in countries where local law is different. Robert Venet in Costa Rica and the Vietnamese draft resisters in Canada and Scandinavia are testimony to that. To prove a case of bribery abroad might well require evidence and witnesses American courts cannot command, any more than Bolivia has been able to force Mr. Dorsey of Gulf to come to that country and testify about his company's activities there. The task of keeping watch on what businessmen and foreign officials do would radically change the atmosphere of our embassies and cause widespread resentment abroad. If businessmen avoid our embassies, the important work they are doing to identify trade opportunities could well be wasted.

There is more to be said for a new law making it easier for the S.E.C. to require disclosure of foreign bribes. For years of experience with securities legislation has shown that if gamy activities must be exposed in public, they will usually—but not always—die a natural death. If disclosure is to be mandated, however, it should be limited to payments made in the future. Some exposure of past activities has been necessary to focus public concern on the issue. But aside from providing an unending public spectacle, there is little reason to continue to call business executives on the carpet to account for activities that were not only legal, but practised by their competitors, accepted and expected by the host countries, condoned and in some cases encouraged by our own Government.

It would be far better if reform could be coordinated with other countries and with international organizations. Since the U.S. puts up such a large share of the capital of the World Bank, the Inter-American Development Bank and other international lending organizations, we could ask that these agencies strengthen their procedures against payoffs on projects

financed with their loans.

In a recent interview on West German television, an official of that country's Finance Ministry admitted it was "morally indefensible" to allow German companies to deduct foreign bribes on their tax returns, but he said, he feared that if West Germany changed its laws, its firms would be "out of business; the others would get the business in our stead." The best place to initiate common reform may be in the Organization for Economic Cooperation and Development, whose membership comprises all the Western industrialized nations, and which is now working on guidelines for the conduct of both multinational companies and the countries in which they operate. If the U.S. were to insist on strong prohibitions against bribery in this document, member nations might, in concert, adopt such practices for themselves.

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Business executives who use bribery as a commercial tool in foreign countries almost never pass money directly. They use middlemen who appear on their resumes as "agent" or "consultant." Middlemen are recommended to the American company by local lawyers and bankers and even U.S. Government officials. Usually natives of the country in which they operate, they are sufficiently trusted by local Government officials to handle the ticklish matter of payoffs in comfort and secrecy.

A skilled middleman knows precisely whom to approach in Paraguay, for example, he deals directly with Alfredo Stroessner Mora, one of the head of state. Until his recent fall from power, no important business deal requiring Government approval could be consummated in Honduras until that country's President, Orlando Lopez Arribalza, had been paid off personally. In nations such as Brazil and small Arabic, payments are

In addition, former Under Secretary of State George Ball has proposed an international companies law, similar to the one being written for the European Common Market. Under Ball's proposal, multinationals would derive their right to do business not from the state of Delaware, or even from one country, but from an international authority.

Companies would have to meet world standards in all their activities, from capital transfers to tax procedures, or lose the right to do business in the countries that adhere to the law.

All these proposals are fraught with the delay and frustration that come with any attempt to break new ground in international law. But if they could be implemented, it would not be the first time that nations found themselves able to do together what none dared do alone.

'High-level acceptance'

made to Cabinet ministers or personal advisors to the head of state, but even the middlemen cannot be certain who in the extended royal family or ruling clique will share in the bribe.

The middleman's function is not limited to payoffs. He arranges appointments, helps tailor the company's bid and investment strategy to local needs, transmits useful intelligence about upcoming Government decisions, and may even help in the technical aspects of the proposal. But when the negotiations shift from the merits of the deal to what is commonly referred to as the "political considerations"—i.e., how much of a bribe is necessary—the client leaves and he takes over. He approaches the subject delicately: "My client wishes to do the best possible job on this project, so the result will enhance the well-being and prestige of this distinguished nation. And my client wants its success, and that of the

Yankees, to act alone, it will not be the first time. Last year, we were ready to impeach a President for actions that are accepted practices abroad. Watergate showed that not America was the most corrupt of nations, but that it was the most sensible. The truth is that we have stood for worthy ideals even while playing international hardball. The export of Marshall Plan aid, Food for Peace and the Peace Corps volunteers were actions others admired and then followed. One of our ideals is that we are an open society that lets us conduct hang out for ethical inspection. Perhaps the export of the new morality born of the Watergate tragedy would not hurt us in this world.

"Such actions are not universal. Several large U.S. multinationals, as a matter of corporate policy, prohibit foreign direct contributions and contributions have been suspended. Among them are ECA, IBM, and Bendix. W. Michael Blumenthal, president of Bendix, says his company prefers to pass up increased profits and instead sell an entire national market rather than engage in the ethical compromise and deception such practices necessarily involve. It is, of course, easier for a firm that has a virtual monopoly of its product line, like IBM, to stay pure.

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country, to be yours as well." A bargain is struck. Corporate officials call this "preparing the market" or "gaining acceptance for the company's products at a high level."

Most bribes are paid by cash transfers into the bank account of the recipient in Switzerland or Liechtenstein. This avoids both publicity and taxation. For bookkeeping purposes, the amount of the bribe is entered on the books as part of the middleman's fee. When it is too large, executives hide it as best they can—perhaps as marketing expenses or, in the case of oil companies, intangible drilling expenses. A recent \$3-million payoff to the Minister of Interior of a Latin country, which won a major utility contract for one American firm, is carried on its books as a "promotion expense."

Occasionally, in lieu of cash, the bidder agrees to take a local firm as a partner in the project. The local company, owned by

the bribed officials and their relatives, gets a share of the profits of the venture, taking no risk and doing no work. One European auto manufacturer was not allowed to sell its products until the right government officials were given the big distributorships.

One reason for disguising the bribe on company books is to allow its deduction as a cost of doing business for U.S. tax purposes. Or, if the company is performing a cost-plus contract to be paid by the U.S. Government, to justify its reimbursement. In any case, the beneficiaries of the system are the bribed officials and the company. The victims are the people of the foreign country, who often end up paying higher prices for poorer products than would be the case if the bidding were honest, or buying expensive public works and military hardware, instead of needed health and education programs, because the rulers get richer from their purchases.—M.S.G.

164. Pharis J. Harvey, "Who's Corrupting Whom? The Multinationals in Asia,"
Christianity and Crisis, March 15, 1976

Who's Corrupting Whom? THE MULTINATIONALS IN ASIA PHARIS J. HARVEY

"And besides this, between us and you there is a great gulf fixed . . ."

Father Abraham to the Rich Man, Lk. 16:26

THE RECENT RESIGNATION of Bob R. Dorsey from the chairmanship of Gulf Oil Co., said to have been forced by Mellon family interests worried about the company's declining image, is the latest development in the United States public's growing awareness of the awesome and uncontrolled power of multinational companies in the Third World. If his resignation—which followed a nonstop flow of revelations about Gulf's legerdemain in the pursuit of political favors both here and abroad—were to bring about basic reforms in company practices, it would certainly be cause for rejoicing. At the moment, however, one must assume that the change is mostly cosmetic and that the structure of power and its use remain intact, even if a few of the players have changed. (Ironically a notice in this week's *Korea Herald* announces that the chairman of Caltex, Richard V. Moss, has just replaced Dorsey as president of the US-Korea Economic Council.)

Senator Frank Church's Subcommittee on Multinational Corporations has worked diligently and produced an amazing amount of information about the activities of American business abroad. If it is as successful in securing public legislation as it has been in gaining public exposure, we can look forward to the beginning of a new era in corporation-government relations. However, there is some apprehension here in Asia that the emphasis on corporate payoffs overseas may leave the more basic issues untouched.

It is perhaps not an exaggeration to say that from the perspective of the underdeveloped Asian

countries much of the furor in the US over corporate bribes to foreign officials seems to be naive, contrived or, worse, another instance of American racism clouding judgment. This is not because such practices are tolerated or appreciated by the peoples of Asia—as often seems to be the claim of corporate spokespersons—but because the issue of specific political contributions or bribes pales in significance beside the structural distortions and corruption that the mere presence of these giant American, European and Japanese corporations causes—whether or not an illegal dollar ever changes hands.

A spate of articles in *The Wall Street Journal*, *London Financial Times*, *The New York Times* and elsewhere has detailed the patterns of corruption overseas and the trials and tribulations that an honest American, English or Japanese businessperson has to face to survive in the "jungle" of international business. These articles have created the impression that the issue is one of "innocents abroad"—the hapless American businessperson, ill-equipped by his/her own puritan ethic to face up to the corrosive climate of more tropical moral environments.

Without belittling the real moral dilemmas that individual businesspeople inevitably face, this picture hardly explains adequately the web of relationships in which international business is conducted. Nevertheless, it is utilized again and again by corporate defendants to suggest that the answer lies in not being so "innocent." One must adapt to the rules of the game wherever one plays; the only alternative is a retreat into isolationism. "Bribery is, after all, the lubricating oil of business," according to a poll of *Los Angeles Times* reporters; and, as Bob R. Dorsey reminded the Senate subcommittee investigating Gulf's payoffs to Korea's Park Chung Hee regime, "You know that mores, customs, standards, values, principles and attitudes vary all over the world. What is immoral to some is perfectly correct to others. What is onerous to one culture may be perfectly proper and decent to another."

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Christianity and Crisis

v.36 March 15, 1976

"Corporate Citizenship" or Corporate Interest?

Moral adaptability, justified as cultural sensitivity, is the dominant corporate response: In order to survive, or at least compete, companies are required to draw ethical as well as legal guidelines from their immediate environment. Situational ethics reigns supreme! Or, as one company representative wrote me in response to a query about company practices in Korea, "It is _____'s policy to be a good corporate citizen of each of the 43 countries we're in." (One wonders if such loyalty is ever troubled by conflicts of interest.)

Such efforts at good citizenship might be laudable, but for one consideration: In most Third World countries large American companies are at least as occupied in making or influencing the rules as in obeying—or working around—them.

Take the case of Gulf Oil in the Republic of Korea (ROK). From the time the company first invested in a refinery there in 1963, its policies have been welded firmly to the interests of the Park regime, and the Korean Government has responded to such loyalty by developing an energy policy geared to the interests of Gulf and other US oil companies. Korea is a land of few natural resources. Anthracite coal is one of them; oil is not. Until the mid-sixties there was a thriving coal industry. Since 1963, however—when Gulf bought into the newly created and government-owned Korea Oil Co. (KOOC) with a \$5 million investment and a \$20 million loan—there has been a steady deterioration in the coal industry and an increasing reliance on oil. In 1965 petroleum products accounted for 12.2 percent of Korea's energy requirements; by 1971 this figure had increased to 49.7 percent.

It has been estimated that by 1976 the level of oil dependency will reach 62.1 percent. Every drop of this oil has to be imported, and three American companies—Gulf, Caltex and Union—provide the entire supply. Only in late 1973, when Korea, like most developing nations, suffered the disastrous setbacks caused by the rise in oil prices, did a chastened government begin to undertake the rehabilitation of the coal industry.

It should be added that US Agency for International Development (AID) policy has contributed no small amount to the dominance of American oil companies in Korea. The last AID loan for development of coal resources, a \$9 million loan targeted for the Changsang coal mine district, was made in 1963. Since that year (when Gulf entered Korea), AID has poured a total of \$95.4 million

into oil-refining and consuming industries, the bulk of it to American company-related projects.

This perversion of national economic policies was brought about by a variety of means, not the least of which was the close personal ties Gulf maintained to the Park regime through KOOC officials. A completely foreign company in everything but name (and official stock held by the Korean Government—now at 50 percent), KOOC is tied to the ROK Government primarily through its president, Lt. Gen. Yu Chae Hung (the only Korean among the company officers, except for the personnel and transportation officers).

Yu has an interesting background for an oil executive: Educated during the Japanese colonial period in Japan's military academy, he served Syngman Rhee as Commander of the First Army and Chairman of the Joint Chiefs of Staff (1957-59). After Rhee's overthrow in 1960 he was sent abroad as an ambassador to Thailand, Sweden and Italy (1960-70), brought back by Park Chung Hee as Special Assistant to the President for National Defense (1970-71), and then made Minister of National Defense (1971-73). In 1974 he was transferred from this post to head up KOOC. ("Head up," perhaps, is a euphemism, since the vice president, an American, is described as the "chief executive officer" in the company's annual report.)

Yu's predecessor at KOOC, Park Won Suk, also has a noteworthy background: a member of the Park Government's inner core, the Supreme Council for National Reconstruction, in 1963; Deputy Director of the Korean CIA, 1963-64; Lt. General and Air Force Chief of Staff, 1964-66; president of KOOC, 1966-74, the years when Gulf's now-notorious political contributions were made.

Gulf followed a similar pattern with its other major subsidiary in South Korea, the Chinhae Chemical Co. Begun in 1965 with a \$24.6 million AID loan (at 2.5 percent for 30 years, following a 10-year grace period), this "joint venture" with the ROK Government, in which Gulf has 25 percent interest, is headed by Lee Tong Hwan, former Ambassador to Australia and New Zealand.

Through these and other contacts Gulf has been able to maintain the close and sympathetic ear of the Park regime. This asset has not been unproductive. By the end of 1973 Gulf-controlled companies accounted for 41 percent of the sale of petroleum products in South Korea and 44 percent of the refining capacity. They also controlled almost all downstream petrochemicals—as producers of all Korea's naphtha, the basic ingredient.

In 1973 Gulf bought the largest petroleum selling

agent in Korea, Heungkuk Sangsa Co., thereby gaining virtual control from the wellhead in Kuwait to the local filling station. Moreover, the company supplies approximately 62 percent of all oil requirements of US forces in Korea, which in the years 1970-1972 amounted to more than \$39 million in sales. Altogether a very powerful position, whether one looks at it economically or politically.

Or militarily—for Gulf, together with Caltex, has the power virtually to paralyze the ROK armed forces if it should choose to do so, since South Korea maintains in storage little more than a week's normal fuel requirements—a fact that has brought bitter thoughts to many a South Korean student and, one suspects, to the Blue House (the ROK White House) as well. No wonder it's important to the Park Government to maintain close ties to Gulf!

(Or if one thinks in terms of sheer size alone, obviously an overly simple equation but one with certain merit, Gulf enjoyed a revenue in 1974 of \$18.2 billion, about 1.5 times the size of Korea's GNP of \$12.9 billion.)

The "Unfettered Right" of Doing Business

This background makes Bob R. Dorsey's defense before the Senate multinational subcommittee somewhat less than credible: "We are sometimes subject—as we were in the case of the Republic of Korea—to political pressures which we cannot always successfully resist." What possible pressures could have been so powerful? The threat of nationalization? Hardly. Given the depleted state of Korea's foreign reserves, it would be virtually impossible to compensate sufficiently for Gulf's \$94 million investment (this is its cash value—in a settlement Gulf would certainly ask for far more), and to attempt nationalization without compensation equal to Gulf's demands would be economic—and political-suicide, as Salvador Allende discovered in Chile. The loss of concessions for petrochemical development? Possibly, but hardly an irresistible pressure to a company with Gulf's clout.

The only explanation that can account adequately for Gulf's "succumbing" to the pressure is that Park Chung Hee's men were able to convince Dorsey that the failure to reelect Park in the then upcoming election against Kim Dae Jung (and in spite of possessing all the machinery of state, Park won by less than a 3 percent margin) would lead to a change in administration that would wipe out all of Gulf's special ties to Korea's policy-makers.

There may have been more factors, by way not of threat but of enticement. Although evidence

supporting any direct relationship is missing, it is noteworthy that in 1971 the petroleum industry in South Korea was granted price increases amounting to 44 percent, and that in March 1972 the oil industry was the only one exempted from a general price freeze imposed by the Government to slow inflation. In any case, Bob R. Dorsey hinted at the most important element in his testimony to the Senate subcommittee: "To my knowledge the company has never asked for nor received anything in return for the contributions . . . except, perhaps, the unfettered right to continue in business" (emphasis added).

This unfettered character of multinational corporate power is the basic issue. In Korea as in most Third World nations large multinational enterprises have been freed from almost all the controls normally exerted upon business by government, labor and community pressures. They have been unfettered, not only from competition by local capitalists but also from labor unions, taxation and import or capital repatriation controls. At the beginning of its drive for foreign capital in 1966, the Park Government enacted a Foreign Capital Inducement Act (FCIA) which, as amended in 1973:

does not adopt any of the restrictive measures often found in the foreign investment laws of many developing countries. The FCIA does not impose any restriction on the national labor percentage requirement, or require local participation in the form of joint venture although priority is given to a joint venture over a wholly-owned foreign investment in the process of authorization. Foreign investment is allowed in virtually all fields of economy. As a whole the FCIA is so liberal and favorable to the foreign investors that it may be criticized as being blind in terms of national interest.

The Complexity of Corruption

In addition foreign companies in Korea are protected from labor strife by a special law that forbids strikes in companies under foreign management. This law, needless to say, has the intended effect of maintaining labor costs at a minimum, thereby sustaining Korea's competitive edge over other poor Asian countries as a source of well-trained, well-disciplined, dirt-cheap human beings. It also suppresses even the mildest complaint against work-place abuses or safety regulation infractions, often with tragic consequences.

The issue of corruption, then, is far more complex than company payoffs to local politicians, although that particular malpractice is certainly one

the symptoms. Rather, it is the structure of mutual self-interest between giant foreign companies and ruling elites that corrupts and distorts the economic and political development of Third World countries to such an extent that it is almost futile to ask who corrupts whom. This structure of corruption is rooted in three basic shortages: development capital, modern managerial skills and political democracy.

In Korea, for example, the shortage of investment capital which resulted from 40 years of Japanese colonial domination has led to an exorbitant interest rate structure: thirty percent is common in the industrial market, and rates run as high as 100



percent for local farmers borrowing on the next year's crops. When foreign loans can be secured at rates from 3 to 12 percent, government officials are inescapably tempted to siphon off funds intended for development and reloan them on the local market at considerable profit. Government officials in control of these funds wield vast power and frequently become quite wealthy. The result: development project costs soar astronomically; little if any local capital is invested; and control of industrialization remains in the hands of foreign companies, government officials and their friends.

The same concentration can be found in the area of management skills for industrialization. When a foreign firm seeks a local partner in Korea, for example, it is more profitable and efficient to hire political influence than business experience or management skills.

There are two reasons for this: (1) No limit is set on the numbers of expatriate technical or managerial personnel who can enter the country; therefore, incentive to rely on Korean management is limited, especially for American companies whose business and management patterns differ greatly from those of Korea. The Gulf pattern of relying on Americans for all but personnel officers is, therefore, not totally atypical. (Japanese businesses, organized along lines similar to Korean businesses, tend to integrate more fully into Korean business circles. This is, of course, partially due to the web

of relationships in both business and politics that remains intact from colonial days.)

(2) Competition with local business is limited in the sectors that US corporations choose for investment; in competing with other foreign or would-be investors, political access—or, more specifically, access to bureaucracies that regulate foreign business—can make the crucial difference in securing import licenses, foreign exchange permits, tax breaks and necessary infrastructure. The result: a tightening of the close circle of interlocked interests and a failure to develop an entrepreneurial class capable of integrating the foreign input into a healthy economy.

The shortage of democratic institutions is further exacerbated by industrial policies that stifle the development of a labor movement, and political processes that prevent the formation of movements or parties that could give expression to the real grief of the common people. To continue to induce foreign capital investments and loans—which like a drug must be injected in increasing doses to stimulate recession-stricken economies while repaying the rapidly mounting interest on previous loans—the poor countries of Asia viciously and self-destructively compete to create the conditions of “stability,” a euphemism for ironclad control over social friction. The result, spreading like a plague throughout the continent, is restriction of the press, dismantling of political opposition and detention of critics, prohibition of free thought in the universities, and the creation of a general climate of fear that heightens the culture of silence already imposed by poverty itself.

The Limits of the Law

Are there legal remedies? The current debate in the US may provide better laws to regulate the foreign operations of American companies. But, as the experience of Asia attests, laws are only as good as the will of governments to enforce them in the people's interest. In many Asian countries laws are on the books that could diminish the stranglehold foreign companies have on the economy, but their enforcement depends on the very persons who benefit from ignoring them.

In Indonesia, for example, laws and presidential decrees specify that in 10 years majority ownership of foreign companies must be in Indonesian hands. This requirement has led to the so-called “Ali-Johnson” type of firm. “Ali,” the Indonesian partner, has 51 percent of the stock—on paper—but “Johnson,” the foreign multinational, controls the

company. Since Ali cannot find enough domestic capital to purchase its share of the company, Johnson loans the money on the condition that actual control remain in Johnson's hands. Thus the law is obeyed; at the same time it is rendered totally meaningless.

One good example of this practice is the joint venture, P. T. Kabelindo, a producer of several types of cables. The firm was formed in 1970 by NKF (Nederland Kabel Fabriek)—a subsidiary of Philips, the Dutch giant—and P. T. Mayasu, a local Indonesian company. NKF provided 75 percent of the capital; P. T. Mayasu, 25 percent. The latter amount, however, was in reality a loan from Philips Development Corporation, another Philips subsidiary. Thus P. T. Mayasu provided nothing but a name for the sake of the law.

Philips' interest in securing this arrangement was apparently to acquire a virtual monopoly on sales to the Indonesian Government under conditions unrestricted by competitive bidding. Special import arrangements also allowed the company to bring finished products into the country as "raw materials," carrying out 90 percent of production in the Netherlands, conducting only the most labor-intensive operations in Indonesia and passing on the increased costs to the Indonesian Government—all of this was carried out under the guise that it was a domestic company. Furthermore, it is reported that Philips, overpricing by 30 percent the machines it imported to set up the company, was able to recover a considerable portion of its investment before local production ever began.

These arrangements did not take place, of course, without considerable payments to "lubricate" the arrangement. Persons familiar with the situation estimate that Philips expended \$1.1 million in "fees" required by various officials to smooth the way. The symbiosis of company and certain officials' interests is further revealed in this report of Kabelindo's activities in 1975:

Early this year the permit granting exemption for custom and import duty on raw materials for this company expired. So Kabelindo had to pay import duty on raw materials. The company estimated that it had to pay US \$50,000 for duty on raw materials imported in 1975. But that was not the case; "negotiations" with an official from the Directorate of Custom and Duty resulted in a decision extending the exemption from import duties, and Kabelindo "only" had to pay US \$25,000 to this official.

Similar examples can be found throughout Asia—not all involving direct payoffs, but all exerting a distorting, corrupting influence on national eco-

nomic and social goals. For example, one does not have to assume illegal activity to recognize grossly unethical business practices in Union Carbide's takeover of Thailand's tin-mining and -smelting industry during the military governments of Field Marshals Sarit Thanarat and Thamom Kittikachorn.

Looking at the Systemic Questions

When Marshal Sarit came to power in 1963, he needed a financial base to offset that of his rival, the Phao group, which was built on a monopoly of the opium trade. Tin, Thailand's second largest export, provided his chance. At that time Thailand had no smelter; by providing Union Carbide with a monopoly on smelting and by requiring all tin for export to be sold to this one smelter, he guaranteed himself and his successor, Thamom, enough power to remain at the helm for a decade. Ostensibly a Thai company, the smelting firm, THAISACO, was owned from the beginning by Union Carbide plus a few Thai individuals—mostly generals from Sarit's cabinet and their wives.

During Thamom's years Union Carbide and a subsidiary of Shell, Billiton Corporation, took over almost the entire 18,000 shares. (Five shares were held by four Europeans and one Thai.) Throughout this period the military government received massive US military aid and other favors. In turn, the US Government was able to manipulate the price of tin internationally, to the benefit of domestic US industry and the considerable profit of Union Carbide, by remaining outside the International Tin Council and releasing tin periodically from government-held stocks in order to depress the price.

Where is the corruption in this arrangement? Simply in the consonance of interest among a powerful foreign company, its home government and a local elite that needs a financial base to consolidate its power. Inevitably that arrangement works further to concentrate wealth among a few political and military leaders and to drain the country's natural resources on unfavorable terms. Thanks to the student uprising in 1973, Thamom and Sarit are out of power; Union Carbide, however, remains—its monopoly position as firmly entrenched as before.

These, then, are some of the factors that give the debate on corporate corruption a different appearance when viewed from Asia. They must be considered in hearings on multinational corruption if the result is to bring change that benefits the most exploited people of Asia. By concentrating fearlessly on the practice of bribery and political payoffs, the Senate committee has performed a salutary public service. But it would be a travesty if this investigation should sidetrack the Senators—

us—from looking at the most systemic questions regarding the extent to which such large monopolistic corporations are a corrupting influence regardless of their adherence to the laws.

When Bob R. Dorsey appealed to the committee for a law "outlawing political contributions by an American company," he may well have spoken in earnest; after all, such a law provides a company with strong leverage to avoid payments that are not in its interest. But it would do nothing to correct the abuse of power by a nominally Korean or Thai company which is not subject to US law but which is actually controlled by its American affiliate. There is precious little that can be done to prevent abuse in this sphere; but public knowledge of the facts may give those who struggle for economic justice, in Asia as well as in the US, a chance to know more precisely whom they're fighting and what the issues are.

At the same time such public disclosure needs to go far beyond the proposed requirements concerning corporate contributions and commissions. It should describe the relations between parent and subsidiary in enough detail to allow persons in the countries concerned to recognize just whom it is they are contending with and how they can develop their own controls. Such disclosure requirements must, to be meaningful, include information regarding intra-company transactions such as loans, sales, technical and managerial contracts, as well as list major stockholders of subsidiaries whose actual control rests in the parent company. It ought particularly to require detailed information about joint ventures between private American companies and foreign governments or high officials of foreign governments.

If such information is unavailable to the American and Asian publics, neither the corrective legislation proposed by Gulf and other corporations nor the proliferation of internal corporate codes of conduct will be of significant use in stemming the cancerous growth of corporate power. Sunlight is the best disinfectant—if it shines in the right place. □

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POLITICAL FACTORS IN THE
FORMATION OF THE
ENTREPRENEURIAL ELITE IN
SOUTH KOREA

Kyong-Dong Kim

IN SPITE OF a variety of disciplinary differences in their underlying arguments, contemporary social science studies of entrepreneurship have generally tended to place excessive emphasis on the psychological ingredients of individual entrepreneurs. Consequently, their theoretical considerations have focused on social and psychological factors conducive to development of such personalities.¹ This orientation may be an outcome of the historical experience of initial industrialization and sustained economic growth in Western industrial societies. Considering the traditional individualism and free enterprise system prevailing in these countries, it should not be too hard to understand the predominance of the social and economic thoughts of a Weberian-Schumpeterian strain.

Recently, however, it has become increasingly apparent that the nature and role of entrepreneurship in many non-Western, newly industrializing countries involve quite a different setting in which certain distinct social structural conditions have affected entrepreneurial behavior. Above all, the greatly expanded role of government in economic growth has resulted in a major shift in the entrepreneurial role from that of an active initiator to a passive adaptor. Contributing to this shift is another historical circumstance in which technological know-how is already available. It does not need to be invented anew by entrepreneurial talents as was generally the case in Western industrialization. This historical divergence does not enable us to play down the importance of entrepreneurial personality as an essential

¹ Major examples of this orientation include David C. McClelland, *The Achieving Society* (Princeton, N.J.: D. Van Nostrand, 1961) and Everett E. Hagen, *On the Theory of Social Change: How Economic Growth Begins* (Homewood, Ill.: Dorsey Press, 1962).

factor of production, but it does require a fresh look at the crucial structural factors influencing the type of entrepreneurial behavior that may be characteristic of many countries trying to achieve rapid economic growth through industrialization.

The main objective of this study, therefore, is to demonstrate the significance of such a structural approach by analyzing political factors in the formation of the entrepreneurial elite in South Korea. Korea provides fertile ground for this type of structural approach. From the incipient effort for rudimentary industrialization around the turn of the century up to the present, political factors have always played a crucial part in either promoting or discouraging entrepreneurial ventures in the economic sector. This is particularly true in the past decade or so when Korea not only has embarked on a national drive for rapid economic growth but also has seen the emergence and growth of an entrepreneurial elite taking an important part in the dynamics of industrialization.

A study of entrepreneurship can cover the whole array of individuals with "entrepreneurial" characteristics. However, this study will deal only with the elite entrepreneurs whose role in economic growth is more readily identifiable in that they are the organizers and leaders of relatively large-scale industrial enterprises in the major areas of the private sector of the economy. They can also be distinguished from other types of economic elite such as the managerial elite in the non-industrial sectors and the technocratic elite in the public enterprises, for these are basically political appointees and, hence, non-entrepreneurial in character. This distinction is essential in order to examine the intricate interplay between the political and economic sectors in which the entrepreneurial role is different from the classical Western type.²

The technique of analysis is a broad historical-institutional approach, and the major source materials are journalistic accounts in the leading monthly magazines of semi-popular nature or newspapers published in Korea during the 1960s and early 1970s. Even though these are not primary data, they present a body of information with a degree of regularity that warrants a systematic analysis. The bulk of descriptive presentation will focus on the dynamics of political exchange involved in the process of emergence and growth of the contemporary entrepreneurial elite in the context of recent industrialization in Korea.

Emergence of "Political Capitalists" In the Fifties

Even though major industrialization programs were not initiated

² It would be incorrect to assert that the typical Western entrepreneurs have nothing to do with the political economy of their times. And yet, the extent to which government actually intervened in or wielded control over the private sector of the economy varies depending on the time and place.

in Korea before the 1960s, the origin of the contemporary entrepreneurial elite and its typical behavioral pattern could be found in the political economy of the 1950s. This decade was marked by the great turmoil of war and its aftermath, followed by another decade or so of frantic effort at rapid economic growth, primarily led by industrialization. During these two decades, the current entrepreneurial elite made its debut and succeeded in establishing large industrial empires. Since this is a work of limited scope, however, the discussion to follow will concentrate on the most outstanding illustrations of entrepreneurial behavior in the context of the process of industrialization.

The Korean War broke out in 1950 and three years of devastating battle resulted in serious inflation and a rising level of consumption. Foreign aid of various forms became the most important source of funds for reconstruction and rehabilitation of the South Korean economy. The predominant industry, of course, was the consumer industry (see Table 1 for an outline of the industrial growth pattern in this period).³

TABLE 1: Industrial Growth Pattern: 1946-1961

	1946-1952	1953-1957	1958-1961
Development Stage	Foreign aid-funded import of finished goods	Development of consumer goods industry	Decline of consumer goods industry and initial development of produced goods industry
Major New Industries	None (Korean War)	Textiles, leather, paper, food, rubber	Light machines, sewing machines, electric testers and appliances, communication equipment, radios, fertilizer, textile machines, pulp
Foreign Trade Export			Consumer goods
Import	Finished goods	Capital goods and semi-finished goods	Capital goods and semi-finished goods

SOURCE: *Study of the Development Process of Industrialization in Korea, 1968* (in Korean). Seoul: Korean Economic Development Association, 1969.

It was during this reconstruction period that a group of entrepreneurs emerged to grow rapidly into large industrialists. Accumulation of capital on the part of these entrepreneurs can best be understood by a careful examination of the dynamics of interplay between

³ Byong-Jun Hwang, *Han'guk ui Kongob Kyongje* (The Industrial Economy of Korea) (Seoul: Asiatic Research Center, Korea University, 1965); and Korean Economic Development Association, *Han'guk Kongob-Hwa ui Yon'gu* (A Study of the Process of Industrialization in Korea) (Seoul: 1968).

the political and economic subsystems of the society. With some private capital at hand, they sought the best opportunities for economic ventures in the existing political economy—i.e., in foreign aid. The best access to this source was the use of political connections. These entrepreneurs played on the urgent need for political funds on the part of politicians and the prevalent corruption of high-ranking bureaucrats. A few illustrative cases should suffice to show the typical *modus operandi*.⁴

The so-called "tungsten dollar" incident was the first case in point. In the summer of 1952, when the war was still going on, the Syngman Rhee administration allocated over three million dollars of foreign exchange to 40 private firms. This fund earned through the export of tungsten was supposedly allotted for certain specific needs of the country. Instead, the Rhee government illegally distributed it to several entrepreneurs enabling them to import grains and fertilizers which were badly needed in a country still in the midst of a war. By taking advantage of the discrepancy in foreign exchange rates and by monopolizing the price, these firms made enormous profits. The government was then offered a large contribution in return for the favor, which was allegedly used in Rhee's Liberal Party campaign for a constitutional amendment that permitted his reelection as president.

Another instance of political manipulation involved disguised government subsidies in the form of financial loans. In the spring of 1957, for example, the Liberal Party exerted pressure on the Korean Reconstruction Bank to grant a large loan to 12 big enterprises for the professed purpose of helping reconstruct the nation's industry. In the process, however, these firms had to contribute a certain percentage of the loans as political contributions.

Somewhat more complicated was the third case of tax manipulation. Large-scale tax evasion was particularly prevalent among powerful entrepreneurs and businessmen with political connections. But a more elaborate form of tax manipulation was possible only with the favorable tax policy. One example of this political manipulation involved sugar refineries. In imposing taxes on the refined sugar extracted from imported raw sugar, the government deliberately allowed

⁴ The following discussion of "political capitalists" in the 1950s is drawn from the following works: Kaejun Yo, "Types of Entrepreneurs in Modernization Process of the Korean Economy," in *Report of International Conference on the Problems of Modernization in Asia*, June 28–July 7 1965 (Seoul: Asiatic Research Center, Korea University, 1965), pp. 616–638; Tong-Jin Kang, "Han'guk Jaebol ui Hyongsong kwa Kebo" (The Formation Process and Genealogy of Financial Cliques in Korea), *Chong Kyong Yon'gu* (The Politics and Economics Monthly), Vol. 2 (November 1960), pp. 121–218; Ung-Do Bae, "Han'guk ui Jaebol dul" (Financial Cliques in Korea), *Sasang-Ke* (The World of Thoughts Monthly), (April 1960), pp. 64–75; Dal-Hyon Kim, "Han'guk Dokchom Jaebol kwa Sanob Chabon Hyongsong" (Monopoly Financial Cliques and Formation of Industrial Capital in Korea), *Chong Kyong Yon'gu*, (November 1960), pp. 129–136; Song-Du Kim, "Han'guk ui Dokchom Kyob" (Monopoly Enterprises in Korea), *Sedae* (The Generation Monthly), (December 1967), pp. 64–81; and Hyong-Son Moon, "Jaebol Non" (On Financial Cliques), *Sasang-Ke*, (May 1963), pp. 142–149.

a much lower percentage rate of extraction than the actual rate. Then, taxes would be levied only on the set lower percentage of refined sugar enabling the company to make a good profit.

Disguised protective tariffs were another example of tax manipulation applied particularly to cement. Since cement was one of the most urgently needed commodities after the war, huge volumes of cement were imported. The price of imported cement was fixed at a level about 3% higher than the actual import price under the protective tariff policy. Moreover; it was usually cement-producing firms that were assigned quotas to import cement, and these very firms could then set the price of their domestically produced cement at almost the same level as the imported cement.

Finally, the construction industry was another profitable area of activity. The construction magnates who became famous as the "Five Men" in this period amassed vast fortunes because they were granted preferential contracts for large-scale government projects. In exchange for each of these political favors, entrepreneurs would normally make generous contributions to the majority party leaders and high-ranking officials in the appropriate administrative branches.

In this period of rising costs and a predominantly consumer-oriented economy, these entrepreneurs accumulated capital mainly through such "non-rational" processes as speculation, price fixing, tax evasion, and taking advantage of cumulative inflation. More crucial to this process, however, was that they played on political connections to gain economic favors in exchange for political contributions. Obviously, small and medium industrialists who could not afford such exchanges were hurt economically because most of the profitable activities were under the monopolistic control of the larger entrepreneurs. A few large entrepreneurs who were not in political favor or who refused to avail themselves of any collusion found themselves cut off from the sources of economic opportunities. Those who made it in this process came very close to establishing themselves as monopolistic capitalists extending their control over fairly large industrial-business concerns similar to the Japanese Zaibatsu. Thus, the label *Jaebol* (Korean translation of *Zaibatsu*) was accorded to those entrepreneurs who were also called "political capitalists," plutocrats, or compradors. Nevertheless, it took some political and economic reshuffling before large financial cliques (*Jaebol*) became firmly rooted in the Korean economy. This involved the end of Rhee's autocratic regime in 1960, followed by the short-lived Chang government which fell before the May 1961 coup d'etat.

Active Industrialization and Establishment of Jaebol Groups

When the military junta took over power in 1961, its members advocated eradication of corruption and injustice from Korean society and an undivided effort at constructing a self-sufficient national economy. In

order to achieve these goals, they embarked on two significant measures which are pertinent to this analysis. First, they renewed the investigation into the notorious "illicitly accumulated wealth," and second, they started a series of five-year economic development plans.⁵

The subsequent discussion will briefly summarize the dynamics of political interplay under which the old and new entrepreneurial elite established themselves as monopolistic-oligopolistic tycoons of large financial cliques (*Jaebol*). In this process the above mentioned two measures of the military regime played a crucial part.⁶

At the outset, the junta's Supreme Council for National Reconstruction, which functioned as both the administrative and legislative body of the coup regime, went as far as to suggest that all illegally amassed fortunes be confiscated and the individual profiteers be indiscriminately executed. However, compromises became inevitable.

Above all, the junta's own future was at stake in its efforts to make the economy take off through the envisioned long-term development plans. Ironically enough, the only viable economic force for this difficult task happened to be the target group of leading entrepreneurial talents with their singular advantage of organization, personnel, facilities, and capital resources. They had to be handled with care. The pressure was also coming from a group of old-line politicians and high-ranking bureaucratic circles to ease and mitigate cases involving the handling of illegal wealth and its profiteers. These politicians and officials from previous regimes were recruited into the new regime in an apparent effort to ensure the legitimacy of the military takeover, and many of them had been involved in the early collaborative relationships with the accused entrepreneurs.

Within the hard-core junta circle, on the other hand, internal factionalism mostly rooted in regional loyalty began to undermine the solidarity of the regime. Disagreement was glaring on many issues including that of the handling of the illegal wealth. Having quickly noticed these political factors plaguing the junta leadership, the entrepreneurs under indictment wasted no time to take advantage of them. They moved to "buy off" various political bosses by promising or offering political kickbacks. To survive the internal strife, political

⁵ Actually, after the fall of the Rhee regime, the interim and Chang administrations initiated the investigation and planned the prosecution of illicitly accumulated wealth under the previous regime. The long-term economic development plans were also considered by both the Rhee and Chang administrations. But it was the military regime that implemented those two measures. See David C. Cole and Princeton N. Lyman, *Korean Development: The Interplay of Politics and Economics* (Cambridge, Mass.: Harvard University Press, 1971).

⁶ A most extensive analysis of the matter of illegal wealth and profiteers is reported in Chin-Hyon Kim, "Bujong Chiukje Ch'eri Jonmalso" (A to Z of the Treatment of the Illegally Accumulated Wealth), *Shin Dong-A* (The New Asia Monthly), Vol. 4 (December 1964), pp. 158-177. Another more concise work is also referred to, see Myo Min Lim, "5.16 Ewhoo ui Jaega Kaeyon" (The Reshuffling of the Business World since the May 16 Coup), *The New East Asia*, (May 1968), pp. 216-235.

bosses needed political funds for their own cliques within the newly created civilian political organization, the Democratic-Republican Party. In due time, the program directed at illicitly accumulated wealth underwent a series of amendments to serve the diverse needs of different clique bosses. And when the investigation committee handed down the decision, it was substantially toned down. Thirty elite entrepreneurs thus accused and convicted were asked to refund a designated amount of funds to the government by a given date.⁷

In fact, a few of the accused were already in severe financial trouble and simply filed bankruptcy and allowed the government to auction their properties. The majority, however, paid cash fines. But an interesting deal was allegedly worked out in the early phase of reimbursement. Some of the accused persuaded the government to actually help them build new industries under the long-range development plans. When the plants were completed, they were to pay the imposed fine by yielding a majority share of the stocks to the government. However, most of them decided to pay cash instead of giving up ownership even at the risk of having to borrow from private sources, thus leaving control of the firms in their own hands. Consequently, the program initiated by the Park regime to correct the past wrongs of the entrepreneurial elite turned out to help many of them not only survive the ordeal but renew their ambitious pursuit of profit and eventually create huge industrial-business conglomerates.

In this connection, the series of five-year economic development programs initiated by the new administration inevitably involved many of the old and new entrepreneurial elite. Instigated by the urgency of reorienting the economy from the emphasis on consumer goods and light industry to that of heavy, chemical and import-substitute industries, political leaders and planners relied heavily on the ideas of and cooperation from the entrepreneurial sector. In the course of a decade's time, a trend of diversification of industrial activity has appeared. But at the same time, the industrialization programs have accelerated monopolistic and oligopolistic concentration of capital and economically profitable activities in the hands of a limited number of large-scale conglomerates⁸ (see Table 2 for the growth pattern during this period).

As of May 1974, the fifty most influential *Jaebol* groups have been identified. These *Jaebol* groups were loosely defined as financial cliques controlling combined interests of at least three or more businesses or

⁷ The following were defined as constituting illicit wealth: 1) tax evasion, 2) illegal contribution to political funds, 3) illicit purchase of national vested properties, 4) extraordinarily preferential monopoly of contracts for construction and supply activities, 5) unusually large and monopolistic allocation of foreign capital, 6) misallocated foreign funds, and 7) other capital illegally flown out of the country, all of which took place between July 1953 when the truce was signed in the Korean conflict and May 1961 when the coup changed the government.

⁸ Korean Economic Development Association, *op. cit.*

Q. did they
persuade or were
they persuaded?

TABLE 2: Industrial Growth Pattern: 1962 to Present

	1962-1966 (First five-year plan period)	1967 to Present (Second and third five-year plans period)
Development Stage	First stage of producer goods industry: development of industry producing semi-finished materials	Second stage of producer goods industry: development of industry producing goods & semi-finished materials
Major New Industries	Synthetic fibers (nylon, viscose rayon, polyacrylic), fertilizer, cement, oil refinery, PVC, automobiles	Synthetic fibers (polyester, acetate), iron and steel, electronics, automobiles, machinery, petrochemicals
Foreign Trade		
Export	Consumer goods	Consumer goods and capital goods
Import	Capital goods and semi-finished goods	Capital goods

SOURCE: *Study of the Development Process of Industrialization in Korea, 1968* (in Korean). Seoul: Korean Economic Development Association, 1969.

industrial firms. Seventeen had their origins in the 1950s. And the three largest cliques before 1960 are still the three most influential combines today. They are the *Samsong* (Three Star), *Lakhee* (Lucky), and *Ssang-yong* (Double Dragon) combines whose bosses were all convicted of illegal profiteering by the present regime earlier. Figures in Table 3 eloquently demonstrate two major trends—first, how many of the current *Jaebol* consist of the carry-overs by the number of subsidiaries they control today, and second, the degree of concentration of economic activities by these select groups.⁹

The question is how these *Jaebol* groups were able to grow into such great combinations. Once more, this process can be best illuminated by an examination of the two most important factors in the political economy and the political interplay involving these two factors—namely, foreign loans and special favors. With limited capital

The Q: yes! →
foreign loans
and special favors

⁹ Added together these 50 current financial cliques run more than 400 enterprises in diverse areas of business activity. Originally, the leading entrepreneurs before the 1950s were active in such light manufacturing and consumer goods industries as textiles, food processing, sugar refineries, cement, fertilizer, light machinery, and such social overhead activities as construction and transportation. Now, these 400 plus firms represent much more diverse and newly created industrial spheres. In addition to the above listed areas, new industries include automobile manufacturing and sales, electronics, electrical equipment, synthetic fiber and plastic products, plywood, tires, petroleum products and oil refineries, paint, alcoholic beverages, confectionery, and other food products. Moreover, a large number of *Jaebol* organizations own subsidiaries dealing with the booming social overhead industries such as highway bus lines, air and sea ways, hotels, tourism, insurance, stock exchange, newspapers and TV-radio stations, schools and universities, cultural foundations, land speculation firms, even golf clubs, and almost anything one can think of that may be profitable. Refer to Table 2 for the general pattern of industrialization to see how these activities jibe with it. *Dong-A Ilbo*, May 31, 1974.

TABLE 3: Distribution of Current *Jaebol* and Carry-Over *Jaebol* Organizations from the 1950s Classified by the Number of Subsidiary Firms Each *Jaebol* Controls (as of May 1974)

Number of Subsidiaries Each <i>Jaebol</i> Controls (as of May 1974)	Number of Current <i>Jaebol</i> including Carry-Overs	Number of Carry-Over <i>Jaebol</i> existing since the 1950s
24	1a	1a
17	2a	2a
15	2b	-
12	1b	-
11	6b	-
10	5c	1c
9	5	1
8	5	2
7	4	2
6	4	2
5	2	1
4	5	2
3	5	3
No information	1d	-
Total	50	17

→ SOURCE: *Dong-A Ilbo*, May 31, 1974.

a These *Jaebol* organizations have existed since the fifties and still are the leading organizations controlling 17 or more subsidiary firms each.

b These organizations are newly created *Jaebol* conglomerates in the sixties, each controlling between 11 and 15 firms.

c Of the five current *Jaebol* organizations controlling 10 firms, only one has existed since the fifties. The same interpretation applies to the rest of *Jaebol* categories except for "No information."

d This one is categorized as a *Jaebol* organization but no information is available as to how many subsidiaries it has.

funds available domestically, Korean planners opted for reliance on foreign sources in their economic growth programs. But now that the era of free grants-in-aid was virtually over, the most feasible source of foreign capital was found in various types of loans.¹⁰ And the entrepreneurs naturally went for this source of capital for their economic ventures, again effectively utilizing their political connections.

Before some typical cases of special favors are presented, a brief account of the politico-economic context in which foreign loans have been brought in and allocated seems to be in order. When the present government initiated the series of economic plans, they adopted an economic ideology based on ("guided capitalism.") Under this orientation, the free enterprise system is encouraged under governmental guidance and indirect intervention. This has meant that the government reserves the power to control project selection and to designate firms to take up specific projects. It also provides a governmental

→ 10 Seung-Hee Kim, "Economic Development of South Korea," in Se Jin Kim and Chang Hyun Cho, eds., *Government and Politics of Korea*, (Silver Spring, Md.: The Research Institute on Korean Affairs, 1972), pp. 148-175.

guarantee of foreign loan payments in case the enterprise fails as well as allocation of domestic loans and support from commercial banking institutions which are largely under the control of the government. In addition, the government also determines price and income policy, taxation and tariff policy, etc.

special favors

Given this orientation, therefore, it is small wonder that the entrepreneurial group turned toward the government in search of the right connections and special favors. This is why special favors are so important to entrepreneurial behavior in the Korean context. Reminiscent of the old days, concrete examples of special favors (called *Tukhe* in Korean) are too numerous to cite in an article of this length. A few outstanding cases should do for the present purpose.¹¹

Types:

- 1 Allocation of foreign loans or designation of a particular company for a certain foreign loan-supported industrial project is the first type of special favor. In order to show the political influence exerted in gaining this type of favor, two obvious cases can be cited. One of the two largest *Jaebol* groups, the *Lakhee* clique, won several rounds of crucial competition to obtain the right to start new ventures in important areas of designated industrial activity such as electronics and electrical communications equipment. Rather revealing in this regard is the fact that one of the brothers of the chief of this clique has been the powerful chairman of the National Assembly's budgetary committee. *Ssangyong Jaebol*, the second largest, is the top ranking *Jaebol* organization in terms of the amount of foreign loans granted thus far. The boss of this particular clique had earlier joined the ruling party to reach the peak of political power as chairman of the party's Central Committee and of the finance and economy committee in the National Assembly. Although he was later purged in the midst of a power struggle within the party which forced him to retire from politics, he is still influential in economic circles as president of the Korean Chamber of Commerce and Industry.
- 2 Once a project has been approved and foreign loans allocated, the company may still be short of capital, especially foreign exchange, to match the international loans and to complete and operate the establishment. A helping hand is extended by the government, mostly by pressuring commercial banks to support the firm with more domestic loans. *Ssangyong Jaebol* is not only the largest recipient of foreign loans but also the most favored in receiving loans from Korean banks.

→ 11 These cases of special favors are summarized from the source materials listed here. Kap-Sob Lee, "Hanguk Jaboljuwa wa Tukhe" (Korean Capitalism and Special Favors), *Shin Dong-A*, (April 1965), pp. 147-155; Song-Doo Kim, "Hanguk Dokchom Jaebol Hyongsong ui Tukuson" (Special Characteristics of the Formation of Korean Monopoly Financial Cliques), *Sasang-Ke*, (September 1968), pp. 108-122; Chong-Ch'ol Lim, "Ch'agwan: Otoke Ssuyojiko Inn?" (Foreign Loans: How Are They Being Dispensed?), *Shin Dong-A*, (May 1967), pp. 78-91; Chin-Bae Kim and Ch'ang-Nae Park, "Ch'agwan" (Foreign Loans: A Report), *Shin Dong-A*, (December 1968), pp. 76-104; and a special feature series on financial cliques in *Dong-A Ilbo*, June 3 through June 7, 1974.

4. Facing the problem of a shortage of capital, one may engage in an illegal act to make some extra money. And yet, if this act is committed by a Jaebol organization, it may elude any prosecution. Exactly this kind of incident did occur in Korea in the late 1960s. The largest Jaebol group, Samsong, was under severe pressure for expansion of economic ventures when a large foreign loan was allocated for a certain specific project. To supply matching funds for the loan, a substantial portion of this foreign exchange was flown out of the country to Japan and huge volumes of popular raw material were smuggled into Korea. The intention was to sell it domestically and earn some extra profit to supply the needed matching funds. Somehow, this illegal act was disclosed but after a few months of hassle the matter eventually simmered down with no government prosecution.

5. While not directly related to foreign loans, the so-called financial favor is another case in point. A select group of enterprises would obtain disproportionately large sums of financial support from commercial banks for specially designated industrial development projects. But many such enterprises are alleged to have leaked out portions of these funds into real estate investment, private money lending routes, or other speculative businesses to reap extra profit.

6. Moreover, special favors in foreign trading still continue. Import-export activities are under close scrutiny by the government in order to curb imports and encourage exports. While importation of some popular items requires a government permit, it also needs a foreign exchange quota. Special tariffs also persist. And the leading conglomerates of the entrepreneurial elite are always on the top priority list for this type of special favor from the government. And even though the foreign exchange rate has recently been converted from a fixed to a floating system, the existing discrepancy between the official and market rates still can be a source of additional profit for those who have special channels to foreign exchange. The foreign currency intended for loans, financial subsidies, or trade quotas often clandestinely flow into the black market, and are sold at the higher rate than the official one.

7. Finally, the familiar practices of tax evasion, price fixing, preferential rent, use or purchase of public properties, preferential contracts for construction or supply projects, preferential issue of various permits, and the like have not disappeared from the scene. They all entail special favors from the government.

8. In each case of special favors rendered, kickbacks, returns, or financial contributions reportedly followed. They may be a percentage of foreign loans allocated or financial support provided, bribery, and graft of various types. Risking a degree of oversimplification, this is the manner by which a limited number of elite entrepreneurs were able to rise rapidly as the leaders of large monopoly combinations.

It should be interesting to note that the present government has

recently offered explanations for the trend toward concentration of wealth and industrial monopolization in the face of some obvious negative side effects. In the general context of national economic growth, the government argues, it was necessary to bring in foreign capital. Once the capital was available, there was a need for selecting those parties which were actually prepared to utilize the foreign capital for industrial development programs. This, according to the government, inevitably resulted in heavy reliance on the existing organizations with a certain scale of capital and facilities. Then it became necessary for the government to extend further support concentrated on the most feasible and promising enterprises in terms of export financing and domestic subsidies. Concentrated support was of course intended to avoid unnecessary spreading out of limited funds. Finally, the government points out that part of the responsibility lies with the expansionist managerial outlook on the part of large entrepreneurs.¹²

This final section will review the major structural and institutional conditions conducive to the typical entrepreneurial behavior in Korean society. Some reflections on the social implications of the development of the contemporary entrepreneurial elite will be offered.

To begin with, the lack of grass root sources of political funding can be cited as the main reason for the political exchange described above. Given the type of umbrella organization of political parties in Korea, rife with factional cliques within the party, the very survival of bosses hinges upon their ability to build up a solid financial base. Readily available in this connection is the bureaucracy which can lend a helping hand in drawing upon sources of funds. With the government holding the upper hand by reserving control over economic affairs, bureaucratic power can readily be abused for political gains.¹³

On the economic side, the responsibility partly lies in the managerial outlook of the entrepreneurial elite. Acquisitiveness may be *par excellence* a universal characteristic of capitalist entrepreneurs of all ages and places. Korean entrepreneurs have thus pursued profit without a corresponding sense of social responsibility. They have played on acute inflation, monopolistic price fixing, illegal tax evasion, smuggling,

¹² *Dong-A Ilbo*, June 4, 1974.

¹³ On political funds and problems of the existing party system, the following sources have been used: Ki-Won Soh, "Chongch'i Jagum Susukeki ui Shilmari" (The Clue to the Enigma of Political Funds), *Sasang-Ke*, (November 1963), pp. 132-136; Woong-Hee Lee and Chin-Hyon Kim, "Chongch'i Jagum" (Political Funds), *Shin Dong-A*, (September 1964), pp. 108-133; Kyong-Sok Park, "Daetongnyong, Kukheuiwon, Son'go Jagum" (Campaign Funds for Presidential and Assembly Elections), *Shin Dong-A*, (May 1967), pp. 202-214; and Yong-Sok Lee, "Dohn, Chongch'i, Kukheuiwon" (Money, Politics, and National Assembly Men), *Sedae*, (September 1967), pp. 60-71. And a very interesting sketch of official corruption is found in a report by Sang-Kuk No in his caricature article, "Sok: Oriahk Kacol" (Continuity in the Primer of Bureaucratic Corruption), *Shin Dong-A*, (August 1968), pp. 172-182.

and speculation in any profitable ventures. They have run their firms largely on others' funds. Justifying the chronic low wage to labor in the name of national interest, they have operated extremely closed, parochial, and familial enterprises. Accumulation rather than redistribution of wealth has been their chief concern. And yet, the primary means of attaining their ambition was to make the best use of the political economy unique to a country like Korea.

As a consequence, the impact of concentration of wealth has begun to be felt throughout the society. Serious international debts, trade imbalances, and deficits have damaged the sense of national self-sufficiency and economic independence. Industrial imbalance has accompanied the rapid growth of often misplanned industrial expansion in limited sectors. A deepening discrepancy between regions has ensued, with the rural sector particularly hard hit. Amidst the widespread rumor that even if an enterprise crumbles due to mismanagement the entrepreneurs as individuals never go broke, the mystery of which is not beyond the imagination of ordinary citizens in Korea today, "the rich get richer and the poor get poorer." And this widening gap between the haves and have-nots has been causing structural polarization threatening the very fabric of society.

To cope with these structural problems, the government has responded with a series of political and administrative measures. In 1969, for example, a special presidential task force investigated and disposed of 30 "ineffective enterprises" on the ground that they were not competitive in the international market even with large amounts of foreign loans and government subsidies. Furthermore, since the world-wide energy crisis which has severely affected the internationally sensitive Korean economy, various measures have been undertaken to correct the situation. All the private debts with excessively high interest rates were frozen for a certain period of time to keep the debt-stricken private enterprises out of trouble. Warnings have been issued to the "unethical" enterprises engaged in tax evasion or antisocial monopolistic practices. They have been strongly urged to stop purchasing real estate, and particularly agricultural lands, for nonindustrial uses. Pressure has been applied to the large *Jabol* groups to open up stockownership to the public in order to change the parochial and familial pattern of management. The outcome is yet to be seen. But as long as the structure of the political economy remains the way it has been so far, one wonders how much change could be expected in the typical entrepreneurial behavior pattern.

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166. Japanese newspaper articles concerning the Seoul subway case

[From the Asahi Evening News, Dec. 16, 1977]

Asahi Evening News Dec. 16, 1977

Four trading firms earned ¥2.2 billion in subway deal

Four major Japanese trading houses earned a total of ¥2,187 million profits in the controversial sale of subway coaches to the Republic of Korea. The profits, which came from the export of rolling stock and railway equipment as well, accounted for

an unusual 12 percent of their total sales.

These facts were revealed in an Asahi Shimbun inquiry carried out by Thursday.

It is assumed that the ¥220 million in commissions remitted to Chang Il Enterprise Corp., the mysterious South Korean broker involved in the deal, around 1972, and the ¥750 million remitted to American bank accounts in Korean names apparently as rebates from 1971 to 1973 on instructions from Chang Il Enterprise were paid from these profits of ¥2,187 million.

These facts may provide important clues as to why the prices of exported coaches were inflated, as is charged by Opposition parties here. The Opposition parties are to take up the matter again in the Lower House Budget Committee on Saturday.

The governmental Overseas Economic Cooperation Fund extended a total of ¥27,200 million in loans for the subway construction project in Seoul City. Of this amount, ¥18,380 million was used to buy 186 train coaches and various kinds of railway equipment, such as rails, signal systems and power transmitting machines, from the four Japanese trading companies—Mitsubishi, Matubeni, Mitsui and Nissho-Iwai. They jointly won the bidding for the project in March, 1973.

The bill for the equipment came to ¥6,720 million. So far, the Opposition parties' suspicions have been focused only on the unusually high prices of coaches, but the profit ratio for the sale of the railway equipment is believed to be much higher than that for the train coaches.

In addition, an official of one of the four firms has admitted that the profit margin of 12 percent was unusually high. The maximum margin in such a project is 10 percent, he explained.

Govt Probe Sees Info \$2.5 Million Subway Scandal

Tax officials will investigate the suspected questionable payments of \$2.5 million (¥750 million) made by four Japanese trading firms to a South Korean businessman in connection with the Seoul subway project.

The National Tax Administration Agency says that if tax evasion is established, it will impose back taxes and fines on the four firms, including Mitsubishi and Nissho-Iwai.

The four firms, according to Diet questioning on Saturday, remitted the money to a US bank designated by the unidentified South Korean businessman from 1971 through 1973 to facilitate the sale of subway cars.

The remittance was made in 12 instalments apart from payment of commissions made after the contract was signed in April 1972.

The commissions were listed by tax officials then as "untaxable" commercial payments.

[From the Asahi Evening News, Dec. 17, 1977]

Budget Committee opens debate on ROK subway deal

The Lower House Budget Committee opened a debate at 10 a.m. Saturday on the Seoul subway project amid growing suspicions that the bill for the rolling stock supplied by Japanese companies was inflated to provide Japanese and South Korean politicians with political funds.

Summoned to answer questions at the session were the presidents of the four Japanese trading houses which supplied the train coaches, the presidents of the companies which made the rolling stock, and the heads of the governmental agencies through which loans were extended to the subway project.

Questions asked by Opposition legislators were focussing first on the great difference between the prices at which rolling stock for the subway project were sold and their prices in Japan. These were to be followed by queries as to the sources of the money used by the four trading concerns to pay remittances of over ¥900 million to bank accounts in Korean names in

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the United States. The remittances are presumed to be commissions and rebates. Questions will also be asked about the identities of these Koreans, and the uses to which the remittances were put.

The four trading houses are Mitsubishi Corporation, Mitsui & Co., Marubeni Corporation, and Nissho-Iwai Co. The remittances in question were made from 1971 to 1973.

[From the Japan Times, Dec. 18, 1977]

REVELATION COMES DURING DIET HEARING—4 JAPANESE FIRMS ADMIT PAYING \$2.5 MIL. TO BUY ROK CONTRACTS

Four major Japanese trading firms paid a total of \$2.5 million or ¥750 million to an influential South Korean businessman from 1971 through 1973 to facilitate sales of subway cars to South Korea, the Diet was told Saturday.

Bunichiro Tanabe, president of Mitsubishi Corp., said the money was transferred to a U.S. bank account designated by the businessman through Mitsubishi International Corp., Mitsubishi's wholly-owned subsidiary in the U.S.

Tanabe was one of 11 witnesses summoned to the day's session of the Lower House Budget Committee looking into suspected irregularities in Japan-South Korea relations.

Tanabe refused to identify the South Korean businessman.

The four firms involved were Mitsubishi Corp., Marubeni Corp., Mitsui and Co., and Nissho-Iwai Co.

Saturday's revelation roughly corroborates an earlier statement made by Kim Hyung Wook, former Korean Central Intelligence Agency (KCIA) director.

Kim now exiled in the United States said in July that the Japanese contractors made payoffs of more than \$2 million in connection with the sale of subway cars. According to Kim, the money eventually was channeled to Korean authorities.

Kim also said that former Prime Minister Shinsuke Kishi had met with South Korean President Park Chung Hee and asked that the contract be awarded to the Japanese firms.

Other witnesses included Marubeni president Taiichiro Matsuo, Nissho-Iwai president Mitsuo Yoshida, Mitsui executive Takeshi Tsukamoto, and Ninichi Nakagawa, former chief of Mitsubishi's Seoul branch.

Replying to a Socialist questioner, Tanabe said the four firms formed a group to bid for South Korea's purchase of rolling stock for the subway network in Seoul.

million, Mitsui ¥374 million and Nissho-Iwai ¥374 million, total profits amounting to ¥1,957 million.

Oide then questioned Ninichi Nakagawa, former head of Mitsubishi's Seoul office, about the sales.

Nakagawa said former Mitsubishi president Chujiro Fujino visited South Korea once or twice a year while Nakagawa was based in Seoul from 1966 through 1970.

Fujino, now chairman of Mitsubishi Corp., often paid a courtesy call to President Park Chung Hee on such occasions, Nakagawa said.

Fujino and Nakagawa also paid courtesy calls on the chief of the Korean Central Intelligence Agency — first Kim Hyung Wook and later Lee Hu Rak, he said.

South Korean Businessman
A Japan Socialist Party source said later that the South Korean businessman who took the \$2.5 million was believed to be the late Kim Song Gon, leader of the Sang Lyong (Double Dragon) business concern.

The source said Kim, 64, was president of Kim Song Spinning Co., and Orient Press as well as chairman of the Sang Lyong business group.

Elected to the National Assembly on the Democratic Republican Party ticket between 1963 and 1973, Kim held such important party posts as the financial committee chairman and chairman of the central committee, the source said.

He was once president of the Chamber of Commerce and Industry of South Korea. He died in 1975.

The Socialist Party source believed that Kim took charge of raising funds for the ruling party headed by President Park

[From the Daily Yomuri, Dec. 18, 1977]

\$2.5 Million Paid Out in Seoul Subway Car Deal

Four leading Japanese trading companies, including Mitsubishi Corporation, Saturday admitted they had remitted a total of \$2.5 million to South Korea from 1971 through 1973, as sales promotion fees, in connection with the controversial sales of subway train coaches to Seoul.

Executives of the four firms were questioned by opposition members of the House of Representatives at a lower house Budget Committee meeting on the Seoul subway coach.

Bunichiro Tabe, president of Mitsubishi, said that the money was sent to a bank account in South Korea, which was designated by an influential South Korean business leader, at his request.

The \$2.5 million was equivalent to ¥750 million at the exchange rate at that time.

Although Tabe declined to reveal the name of the Korean businessman and the identification of the bank account in question, it was revealed through Diet questioning Saturday that the money transactions almost coincided with a series of Japan-Seoul political moves from 1971 through 1973.

The companies involved are Mitsui and Company, Marubeni Corporation and Nissho-Iwai Company, as well as Mitsubishi.

The Dietmen who questioned the company executives included Socialist Shun Oide, Komelto member Hirochi Sakai and Democratic-Socialist Katsuji Kawamura.

The executives said that each of the four companies channeled \$625,000 in "operation funds" to the group of South Koreans, including

Company existed in South Korea.

Kim said further that the New York branch of Changuil Enterprise Company was merely a code name that the KCIA used in order to receive large amounts of "operations funds" from the four trading companies.

Socialist Names Suspect

The South Korean businessman mentioned in an alleged shady deal involving Japanese sales of subway cars to South Korea is believed to be the late Kim Song Gon, leader of the Sang Lyong (Double Dragon) business concern, a Socialist Party source said Saturday.

The source said Kim, 64, was president of Kim Song Spinning Company, and Orient Press, as well as chairman of the Sang Lyong business combine.

Elected to the National Assembly on the Democratic Republican Party ticket between 1963 and 1973, Kim held such important party posts as Financial Committee chairman and chairman of the Central Committee, the source said.

He was once president of the Chamber of Commerce

and Industry of South Korea. He died in 1975.

The Socialist Party source believed that Kim took charge of raising funds for the ruling party headed by President Park Chung Hee.

Kim Hyung Wook, former chief of the South Korean Central Intelligence Agency, now in the US, described the late businessman as the intermediary who helped Japanese trading firms win the contract for subway cars.

Kim Song Gon was named as one of the key figures involved in alleged Gulf Oil payoffs to the South Korean Government, the source said.

This was revealed in a McCloy report published last year by the US Securities and Exchange Commission which inquired in 1974 and 1975 into Gulf Oil's questionable payments abroad, he said.

The report said Kim demanded that the US oil company donate \$10 million to the Democratic Republican Party of South Korea.

The source added that his party would seek further clarification of the scandalous deal in the Diet-Kyodo

[From the Asahi Evening News, Dec. 27, 1977]

'Gray payments' by firms came to ¥30 billion

The National Tax Agency (NTA) said Monday that "gray payments," including rebates and contributions to politicians, by firms during the one year from July 1976 to June 1977 totalled ¥30,000 million.

Recently it was clarified that Mitsubishi and other trading firms had paid \$2,500,000 in rebates to South Korea and they have had to pay tax on this money.

The ¥30,000 million is based on a check by national tax bureaus throughout the nation on about 5,000 firms; payments unaccounted for averaged ¥5,900,000 per firm.

Firms refused to divulge to whom these payments were made. Such payments are not recognized as expenses and are taxed. The firms keep

silent about the recipients for unexplained reasons, even though they know they will be taxed.

The NTA has been trying to find out to whom the "gray payments" were made. But the firms have been tight-lipped, and the NTA has been able to discover the recipients of only about 10 percent or less than ¥3,000 million.

Of the ¥3,000 million, ¥1,350 million consisted of rebates, ¥450 million of entertainment expenses and ¥1,200 million of contributions and others. It is believed that included in these amounts are secret contributions and bribe-like payments to politicians.

In the three years from 1973 to 1975, "gray payments" totalled about ¥7,000 million, according to the NTA.

[From the Asahi Evening News, Feb. 8, 1978]

DOMESTIC

ASA

—Seoul subway issue—

AEN 2/8. 1978.

Hitachi made unusually high profits from selling coaches

The focus in the Diet on the Seoul subway case now is on the ¥1,340 million made by Hitachi, Ltd., which was responsible for manufacturing the 186 subway coaches involved.

This works out at a profit of ¥7,200,000 on each of the 186 coaches. The profit rate was 14 percent, an unusually high rate, and the Opposition parties have been attacking Hitachi, suspecting it of having engaged in shady transactions.

Up to Tuesday, Hitachi had revealed some of the details of the transactions involved and said that its profit rate on gross sales was less than 5 percent.

But a check by the Asahi Shimbun showed that the profit rate on the electrical machinery installed on the coach-

es was 20 percent, which is triple the ordinary profit rate for such machinery.

Hitachi received the order for 186 subway coaches from Mitsubishi Corp. and Marubeni Corp. but it made only 60 itself and subcontracted the remainder to four other rolling stock manufacturers. It delivered the 186 coaches before October 1974.

The coaches were delivered by subcontractors to Hitachi at ¥27,500,000 each. Hitachi sold them to the trading firms at ¥51,500,000 each, so there was a difference of ¥24,000,000 each. Hitachi purchased the necessary electrical machinery, such as control equipment and motors, and handed them over to the subcontractors to install on the coaches.

The electrical machinery

came to ¥16,800,000, according to a check by the Board of Audit, so the remaining ¥7,200,000 is Hitachi's profit on each coach.

When interviewed by the Asahi Shimbun on Feb. 6 and 7, two Hitachi officials said: (1) The electrical machinery cost ¥22,000,000 instead of ¥16,800,000 because of price rises and the addition of extra equipment, and this was responsible for the difference of ¥24,000,000; (2) the only profit Hitachi made was on the 60 coaches and the electrical machinery it made itself; and (3) this profit was less than 5 percent. But they refused to divulge figures to back up their statements.

Meanwhile, Socialist Representative Tsunehiko Antaku charged in the Lower House Budget Committee Tuesday that ¥470 million was unaccounted for in connection with a South Korean insulator manufacturing firm which went bankrupt after an insulator plant had been shipped to South Korea.

[From the Asahi Evening News, Feb. 9, 1978]

1978. 2/9

ROK subway probe in full swing at ^{AEN} Diet committee

Officials of government agencies involved in the Seoul subway coach export affair failed to give clear answers to various suspicions raised by an Opposition Dietman in the Lower House Budget Committee Wednesday.

Shun Oide, a Japan Socialist Party Dietman, alleged that Shinichi Takasugi, then the president of the governmental Overseas Economic Cooperation Fund (OECF), which made a huge yen loan for the Seoul subway project, had distributed a paper emphasizing that the construction of the subway system was in "the national interests of Japan and the Republic of Korea," after his trip to Seoul in October, 1970.

Norio Ishihara, present OECF president, denied the charge.

A report on the project released by the Japanese Foreign Ministry (Gaimusho) in August, 1970, said that the

price of each coach was raised from the original estimate by ¥4,140,000 due to changes in specifications made by the Japanese Association for Overseas Railway Technological Cooperation, which served as a technical consultant for South Korea.

Showing related secret documents obtained from sources in Mitsubishi Corp., Oide charged that the Japanese trading firm put pressure on the association to inflate the price so that it would get money for political maneuvers. Mitsubishi was one of the four trading houses which jointly won a bidding for the 186 coaches for the Seoul project.

Gaimusho and other Government officials were at a loss for replies and promised to make detailed inquiries.

Oide also said that, among the Japanese rolling stock manufacturers involved in the transaction, only Hitachi, Ltd. made a profit from the deal and that there were discrepancies in its explanations concerning the prices of its products.

Eiju Ito, chief of the Justice Ministry's Criminal Affairs Bureau, disclosed for the first time that the prosecution has a keen interest in the case.

[From the Asahi Evening News, Mar. 2, 1978]

—Seoul subway scandal— *New Year's 78*

Communists charge Hitachi with shady transactions

Seiji Masamori of the Japan Communist Party (JCP) charged Monday that Hitachi, Ltd. had engaged in shady transactions to secretly set aside political funds in connection with the sale of subway coaches to South Korea. He said that the secret funds had been placed in an account under the name of a Hitachi executive in the Utsunomiya Branch of the Kanto Bank.

In connection with the charges made by Masamori in the Lower House Budget Committee, Director Eiju Ito of the Justice Ministry's Criminal Affairs Bureau said the relevant material would be handed over to the prosecutors so they could study the matter.

The National Tax Agency decided Monday night to carry out an investigation of the real estate firm allegedly involved in the transactions.

Masamori charged that Hitachi had hidden the huge profits it made on the Seoul subway deal and had used Chuo Shoji to create a secret fund. He pointed out that Chuo Shoji was completely owned by Hitachi and all its executives are from Hitachi.

As examples of Hitachi's

hiding of profits, Masamori pointed out that whereas Hitachi had said it purchased wireless equipment from Motorola of the United States for ¥1,200,000, Motorola had actually delivered at ¥960,000. In the case of ATS (automatic train stop) equipment, Hitachi is supposed to have bought it for ¥4,350,000 per coach, but the actual price, according to a check by Masamori, was ¥3,100,000.

Chuo Shoji is a real estate firm established in 1950 with 100 percent capitalization by Hitachi. It has 400 employes, and its main office is in the Hitachi building in Chiyoda Ward, Tokyo. The Kanto Bank has its main branch in Tsuchiura City, Ibaraki Prefecture. In Tochigi Prefecture, it has only the Koyama Branch, and there is no Utsunomiya Branch.

Masamori also clarified that Mitsubishi Corp. and three other trading firms as well as 23 manufacturers, including Hitachi, had created a Japanese group to prepare to bid for the No. 2 subway line in Seoul. This is the group which is under suspicion in connection with the No. 1 subway line.

[From the Japan Times, Mar. 6, 1978]

Hitachi Allegedly Had Big Role in Subway Deal

JT 3/6/78

A Socialist Party and a Communist Party parliamentarian said Sunday that they would grill Government officials in today's Lower House Budget Committee session about the suspected role of a major Japanese firm in the sale of subway and train cars to South Korea.

They claimed the Japanese firm, Hitachi, Ltd., played a leading role in the Y27.2 billion deal signed in 1972 for the export of 186 train coaches. Mitsubishi Corp. was also reported to be involved in the deal.

Shun Oide of the Japan Socialist Party (JSP) said that Hitachi had begun maneuvering to acquire a share in the subway coach deal in 1967 despite the firm's claim that it first found out about the Seoul railway project as late as 1970.

Five coach makers including Hitachi and four major trading companies formed a consortium in March 1971.

Oide quoted a Mitsubishi official, without identifying him, as saying that Hitachi served as a mediator among the participants in the consortium.

In the deal, Hitachi made a profit of Y488 million. Of the profit, only Y84 million came from coach bodies and the rest was from electrical equipment which Hitachi also supplied.

cent which the company usually made then for the sale of train coach electrical equipment, according to Oide.

Oide will demand that the Diet summon Hitachi officials to explain the unusually large profit from the coach deal, he said.

Seiji Masamori of the Japan Communist Party (JCP), meanwhile, said that a JCP investigation showed that some electrical equipment imported by Hitachi from the U.S. was priced excessively high when resold with the coaches to the Japanese consortium which in turn sold the equipment to South Korea.

The scandal about the subway car sales to South Korea came to light when it was discovered that the trading firms in the consortium had made an illicit payment of \$2.5 million to a Korean politician.

A Hitachi official, on the other hand, said Sunday that the breakdown of the train coach price as announced on Feb. 16 by Hitachi told everything about the deal. He said Hitachi officials are ready to explain this before the Diet if summoned.

Taxmen Investigated Subway Car Sales

MWD 3/7/78

Ritsuo Isobe, chief of the National Tax Administration Agency, told the Diet Monday his agency sent five officials to the United States last year to investigate controversial Japanese sales of subway cars to South Korea.

In the deal four Japanese trading houses sent \$2.5 million to a U.S. bank from 1971 through 1973. The money is suspected of constituting bribes which became operational funds for the South Korean Central Intelligence Agency (KCIA).

In reply to Shun Oide of the Japan Socialist Party before the House of Representative budget committee, Isobe said the five officials investigated the U.S. subsidiaries of Mitsubishi Corp. and Mitsui and Co. last December.

He said the investigation covered the subway deal and other business activities of the two subsidiaries but he declined to go into details.

Isobe said the agency officials did not investigate the U.S.

bank to which the four firms made remittances because the agency has no right to do so.

At the committee meeting, Prime Minister Takeo Fukuda said he had instructed government agencies concerned to try to clarify the subway deal although "Japan has no right to forcibly investigate."

Shunji Tojima, a bureau head of the Board of Audit, said his office was investigating "unusually high profits" won by Hitachi, Ltd., in the 1973 sale of 186 subway cars and surface coaches to South Korea for a combined 18.5 billion yen.

[From the Japan Times, Mar. 7, 1978]

J.T. 3/7/78

Dietman Raises Seoul Subway Issue

An opposition Dietman charged Monday that a major trading firm tried to avoid taxes on illicit payments it made to win the controversial order for Seoul subway cars by pretending that it had suffered losses in fictitious grain deals.

The charge was made by Shun Oide, a Dietman of the Japan Socialist Party (JSP), during a House of Representatives Budget Committee meeting.

Oide did not identify the trading firm but it was believed to be Mitsubishi Corp. Earlier reports alleged that the company had raised funds for paying kickbacks in the subway car deal in the same way as described by Oide.

The Seoul subway cars were exported by a group of four Japanese trading firms composed of Mitsubishi, Mitsui and Co., Marubeni Corp. and Nissho-Iwai Co.

In response to Oide's demand, Ritsuo Isobe, chief of the National Tax Administration Agency, disclosed that the agency had sent five officials to the United States to investigate U.S. subsidiaries of Mitsubishi and Mitsui on tax matters from Dec. 5 through Dec. 22 last year.

However, Isobe refused to disclose the outcome of the agency officials' probe on the ground that it was required under law to protect the privacy of the two firms involved.

Oide then demanded Government explanation on the sending of a technical mission to Seoul by a Foreign Ministry organization to study a plan to construct the second

Seoul subway line in April last year when the first Seoul subway deal was still under suspicion in Japan.

A Foreign Ministry official admitted that the Japan International Cooperation Agency has sent such a mission twice to Seoul but denied that the Government had promised to offer yen credits for the construction of the second Seoul subway.

Oide then raised suspicion about export prices of Seoul railway cars which were much higher than those for similar railway cars used by the Japanese National Railways.

Citing technical data for Seoul railway cars and JNR cars, Oide claimed that they both have the same capabilities.

Hitachi Ltd., which built part of the exported railway coaches, earlier claimed that the cost increase had been brought about because the Seoul railway coaches were equipped with better motors.

A Board of Audit official told the committee that the board was also skeptical about Hitachi's claim that electrical components in the Seoul railway coaches cost ¥3.74 million more than the board's estimate of ¥16.8 million per

car.

The official also said that Hitachi's profit margin in the export sales, which the firm said accounted for 16.7 per cent of the total value, were unusually high.

In the afternoon session of the same committee, Seiji Masamori of the Japan Communist Party (JCP) charged that Hitachi had instructed its subsidiary to secretly set aside a large sum of money to buy political influence in connection with the sale of subway cars to South Korea.

The subsidiary named by Masamori is the Chuo Shoji Co. in Kanda, Chiyoda Ward, Tokyo. Its management is almost entirely made up of former Hitachi employees, the JCP Dietman said.

He demanded that the Diet summon the officials of Hitachi and the subsidiary for testimony.

167. Ian Urquhart, "A Scandal Revisited, CANDU Canada Didn't Look Evil, Just Dumb," MacLean's, November 28, 1977

A scandal revisited

CANDU Canada didn't look evil. Just dumb

By Ian Urquhart



It was Christmas, 1974. Three men gathered in the offices of the president of Atomic Energy of Canada Ltd. to have their pictures taken. The atmosphere was deep and crisp and even and the three men were smiling. Lorne Gray (right), the president of AECL, was smiling because he had sold a Canadian nuclear reactor to the Korean Electric Company. Mir Choong Shik, head of KECO, was smiling because he had bought it. And in the background, Shaul Eisenberg, a mysterious Israeli businessman was smiling, possibly in contemplation of his

enormous finder's fee. It would be two years before the smiles disappeared and Canadians, who didn't know a reactor from a refrigerator, would be confronted with one of the biggest scandals in the country's history.

The scandal broke when the auditor-general, parliament's watchdog of government spending, reported that AECL, the government's nuclear agency, had been paying out millions of dollars in "agents' fees" to secure the overseas sales of its reactors. Eisenberg was one of the agents. In understated accountant's jargon, the

auditor-general, James J. Macdonell, reported that the documentation supporting these payments was "inadequate." Reading between the lines, the implication was clear: the money was used to bribe foreign officials to grease the sales. Suddenly, Canada had its very own Lockheed scandal.

That was one year ago. But the scandal was never really pursued to its ultimate conclusion. At first it was front-page news, a parliamentary committee began an investigation and the RCMP was called in. But, after the initial burst of activity, the enthusiasm of the press soon faded. The parliamentary committee botched its investigation and neither was helped by the collective stonewall built by the key actors in the affair. The government, for its part, seemed content to rely on the RCMP. And the RCMP encountered problems because much of the information lies outside the country. The foreign governments involved seemed more interested in covering up the scandal than exposing it. Thus much of the AECL affair remains a mystery. But it is possible to piece together most of the story from the public record and confidential interviews. The picture that emerges is not so much one of ugly Canadians corrupting the Third World as of naive Canadians being taken in by high-flying hucksters.

The story begins on March 21, 1968, when AECL announced it was taking over responsibility for overseas sales of the CANDU reactor from Canadian General Electric (CGE). CANDU (an acronym for Canada deuterium uranium) was widely acknowledged within Canada as a superbly designed reactor, one of the country's few notable technological achievements. The government was anxious to sell it abroad, both to justify the public investment in its development and to announce to the world that Canada could make things as well as dig them out of the ground.

But CGE had not been successful in marketing CANDU internationally. For one thing, it was running into competition with its parent firm in the United States, which was trying to sell its own, American-designed reactor. AECL, the Crown corporation that had developed CANDU at its Chalk River, Ontario, laboratories in the 1950s, took over responsibility for selling it.

AECL was ill-equipped for the task. It was primarily a research agency staffed by scientists and engineers. Its competitors, chiefly Westinghouse and General Electric in the United States, had huge sales staffs and years of experience in marketing reactors. But AECL did have J. Lorne Gray, its president, who was immensely proud of CANDU and eager for international recognition for the reactor. Perhaps too eager.

Late in 1968, soon after AECL had assumed its new responsibilities, Israeli Shaul Eisenberg visited Gray's Ottawa office, praised CANDU and said he could sell it to South Korea. Gray was flattered but skeptical. How could this fast-talking stranger pull off a sale to South Korea, especially after Westinghouse had just sold a U.S.-style reactor there? Gray told Eisenberg to go ahead and try. A meeting was arranged in 1969 between AECL and Korean officials. It was subsequently canceled by the Koreans, at the behest of Westinghouse and the U.S. government, Gray suspects.

A series of similar disappointments followed as AECL attempted without success to peddle CANDU to Mexico, Brazil, Australia and Romania. As the failures mounted, AECL began to come under increasing pressure at home. Gray, says one ex-staffer, became "desperate" to sell a reactor abroad if only to prove that CANDU was worthwhile.

The opportunity came in 1971. Argentina was once again shopping for a reactor and "we were a little gun-shy and hesitated," recalls Gray. But AECL had a partner from an earlier Italian venture, Italimpianti; a Genoa engineering firm with good connections in Argentina. AECL and Italimpianti decided to bid for the Argentinian contract together, with Italimpianti handling the marketing end of the deal and AECL the technical aspects. There was one catch, stipulated by Lucien Sicouri, Italimpianti's extravagant president: an agent would be retained. AECL would be required to pay half his fee—with no questions asked. Gray agreed and the bid went ahead.

In 1973, after beating back stiff competition from Westinghouse, AECL and Italimpianti were awarded the Argentinian contract. (The terms were ridiculously favorable to Argentina, including a \$129-

million loan supplied by the Canadian government at subsidized interest rates. Two years later, it became apparent that AECL stood to lose \$200 million on the deal. AECL pleaded with the Argentinians to renegotiate the contract and they agreed, but only after the Canadians provided another \$25-million loan at subsidized rates. Now AECL stands to lose only \$130 million on the deal.)

By this time, the South Korean deal had warmed up and Eisenberg reappeared in Gray's office some time in 1972. Eisenberg was clearly anxious for AECL's business, offering free television sets to the Crown company's marketing officials (they refused) and crates of oranges from his Israeli groves to Gray (he accepted). In November, 1972, Gray hired Eisenberg as AECL's "exclusive agent" in South Korea. Eisenberg was given carte blanche with no terms of reference. Even his fee was left up in the air as Eisenberg preferred to settle such grubby details later. Within two years, AECL had sold a reactor to South Korea. (Again, a government-subsidized loan was required, this time for \$330 million. It is not yet known whether AECL will make money on the deal.)

With the whiff of success still in the air, the bills started to come in. First, in January, 1974, Sicouri wrote Gray asking for \$2.5 million in U.S. currency as AECL's half-share of the so-called "agent's fee." The money was to be deposited in a Swiss bank in Lugano in the account of something called the Intercontinental General Trading Establishment of Schaan, Liechtenstein. This was a dummy corporation owned by the bank. Gray balked at first, then paid the amount in April, 1974, with no questions asked.

In December, 1974, with the Korean deal completed, Eisenberg told Gray it was time to discuss his fee. He wanted \$40 million. Gray was stunned. He managed to talk Eisenberg down to \$20 million. Gray signed the papers agreeing to the payment on December 30, 1974, the day before he retired.

Eisenberg's bill for \$20 million arrived in January, 1976, on the desk of John Foster, Gray's handpicked successor as president of AECL. Foster knew the bill was coming but he had second thoughts about paying it after it actually arrived. The summer before, the Lockheed scandal had broken in Washington.

(In August, 1975, Lockheed Aircraft Corp. had revealed, under pressure from a U.S. Senate committee, that it had paid out \$22 million in bribes, mostly disguised as agents' fees, to secure overseas sales of its planes.)

After sitting on the bill for a few weeks, Foster reported it to his newly appointed chairman, Ross Campbell, who had been brought home from his ambassador's post in Tokyo to try to straighten out the Argentinian mess (the potential \$200-million loss) left behind by Gray. Campbell went straight to Alastair Gillespie, the minister responsible for AECL. It was decided that Campbell should go to Israel to try to get Eisenberg to agree to a lesser sum and to account for his expenses. Campbell went to Israel March 2-3, 1976, and bargained Eisenberg down to an \$18.4 million fee, but at the cost of agreeing to hire him again as an agent on any subsequent reactor sales to South Korea. He also obtained from Eisenberg an accounting of his expenses. But the accounting was *actual*^{"v"} no more than after-the-fact invoices from three companies associated with United Development Inc., Eisenberg's firm.

It was these invoices that caught the eye of the auditor-general's staff when it began looking over AECL's books as part of a routine annual inspection in May, 1976. Had the sum of \$20 million simply been paid and noted in AECL's books as a commission on the Korean sale, "I do not think I could have challenged it," said Macdonell months later. But the suspicions aroused, the auditor-general's staff decided to reopen the books on the Argentinian sale as well to see if there had been any similar payments involved. It turned up the \$2.5-million payment to a Swiss bank. When Macdonell told Campbell and Foster they would have to produce more satisfactory documentation to support these payments, AECL went into a panic.

Campbell and Foster tried frantically to get more information from Eisenberg and Sicouri, to no avail. Eisenberg offered to let Macdonell inspect his books, but the offer was conditional on the auditor-general keeping his findings secret. It was a condition that Macdonell, as a servant of parliament, obviously could not accept.

In an effort to persuade Sicouri to talk, Campbell and Foster drafted Lorne Gray back from retirement to reason with his old Italian partner. Gray, Campbell and Fos-

ter talked to Sicouri over a three-hour-long dinner at Montreal's Chateau Champlain Hotel. Sicouri was charming, as usual, but refused to name the agent in the Argentinian deal.

As a last resort, Campbell tried to persuade Macdonell to drop questionable payments from his report to parliament. The publicity could, Campbell suggested, ruin AECL. Macdonell replied that it was his duty to parliament to report what he had learned, which he did on November 22, 1976. As Campbell had feared, the disclosure of the questionable payments, which occupied just 2½ pages in Macdonell's 630-page report, transfixed the attention of reporters and politicians alike.

But the issue soon dropped from sight. First, reporters ran into a stonewall in their efforts to interview the principal characters. Eisenberg and Sicouri simply refused to be interviewed. The parliamentary committee, with the Liberals and Conservatives bickering over how best to handle the investigation, dragged its feet.

Committee chairman Allan Lawrence, the former attorney general of Ontario, tried hard to pursue the investigation on his own, but with little success.

Because of the stonewall, several key questions remain unanswered in the AECL affair:

- *Who got the \$2.5 million sent to the Swiss bank as part of the Argentinian deal?* Only Sicouri and the recipient know for sure. Gray insists he doesn't know, and, if he doesn't, no one in Canada does. It has been disclosed that the \$2.5 million was quickly transferred from the bank in Lugano to an account code-named "Opera" at another bank in Geneva. But Swiss authorities have resisted efforts to reveal the identity of "Opera." Italimpianti also deposited \$1.5 million in the same account in two different payments. Another million was deposited in a Luxembourg bank account by Italimpianti in six different payments in January, 1975, to complete its half-share of the "agent's fee."

- *Assuming that the payment was actually a bribe for an Argentinian official, who was paid off?* The Argentinian press, presumably on the basis of leaks from the military government in the country, has pointed the finger at Jose Ber Gelbard, the former minister of economics in the Peronist regime, overthrown in a coup in 1976. Gelbard died in exile in Washington in Octo-

ber this year. Before his death, he denied he was the recipient of the alleged bribe. He was a business partner of Sicouri's in a previous deal in Argentina. But Gelbard only became a minister after the decision had been made to purchase the CANDU reactor. There is also a possibility the money went to someone at Italimpianti or even to a Canadian as part of an embezzlement scheme. That possibility prompted the Canadian government to call in the RCMP in the first place. But the Swiss banks deny the recipient was either a Canadian or connected with Italimpianti.

- *What happened to the money paid to Eisenberg?* AECL officials keep insisting there is no proof that any of the money was passed on to Koreans in the form of bribes. That is true enough, but it is a see-no-evil approach that strains credulity in South Korea, where President Park Chung Hee is said to rule with an iron hand and sticky fingers. And a natural target for a bribe would have been Min Choong Shik, the former president of the Korean Electric Company. Min is said to be a friend of Eisenberg.

- *Was Gray duped?* There are suggestions that Gray paid far more than he had to in order to grease the sales of CANDU. In Argentina there was already considerable interest in CANDU because it uses natural uranium as a fuel, unlike the U.S.-style reactors which use "enriched" uranium. There has also been speculation that militarists in Argentina wanted CANDU because it produces more plutonium as a by-product than American reactors. Plutonium is used to make atomic bombs, coveted by some generals in Argentina, which is caught up in a deadly arms race with Brazil.

- *Was Gray acting on his own?* The former AECL chief insisted before the Public Accounts Committee that he kept both cabinet and AECL's board of directors fully informed of his arrangements with agents and acted with their approval. But Donald Macdonald, the minister responsible for AECL throughout most of the period, says Gray merely told a cabinet committee "*en passant*" that agents would have to be hired. And George Gathercole, former chairman of Ontario Hydro and a senior member of the AECL board from 1966 to the end of 1974, says he cannot recall ever hearing Gray mention Eisenberg's name or agents' fees amounting to millions of

dollars. The board's minutes show that Eisenberg's name was mentioned—for the first time—at a meeting in February, 1973. But that was several months after Gray wrote to Eisenberg saying: "I have recommended to my board and they have agreed to your appointment as the exclusive agent of AECL..." Gray insists the Eisenberg appointment was "thoroughly discussed" by the board before he wrote that letter and it was only left out of the board's minutes due to an oversight. But G. M. Shrum, former head of British Columbia Hydro and an AECL board member until the end of 1972, is not so sure. "I think the fairest thing for me to say is that Mr. Gray gave us a great deal of information but he didn't ask us for much advice," recalls Shrum.

These questions may never be conclusively answered, locked as they are in Swiss bank accounts and the minds of uncooperative or downright hostile witnesses. But the AECL affair has already had a profound impact in Canada. AECL itself is undergoing a complete overhaul to upgrade its financial control mechanisms. It also has a new board of directors and is to have a new president to replace John Foster, who was fired last summer. The company will also come under much tighter control by cabinet in the future.

But still up in the air is the much more difficult question of whether Canada should be exporting nuclear reactors at all. AECL is continuing negotiations for sales to Italy, Romania, Japan and Mexico and would like to sell again to Argentina and South Korea as well. The talks have been temporarily stalled while the government attempts to obtain stiffer guarantees from potential customers that the reactors will not be used to make bombs. But that may not be an insurmountable obstacle, especially if the government and AECL remain as eager to sell as the customers are to buy.

"This is an important matter for Canadians," says Campbell, "not just for the CANDU system itself but for the image it creates of our national capabilities in high technology areas."

But Canadians might well ask: if we have to loan people money at subsidized interest rates to buy CANDU at prices below cost and then bribe them to do it, how great is the accomplishment? ♦

168. Neil H. Jacoby, et al., "Foreign Payoffs Law: A Costly Error," New York Times, January 22, 1978

By NEIL H. JACOBY,
PETER NEHEMKIS,
RICHARD ELLS

More than two years have passed since the Securities and Exchange Commission invited registered American corporations to disclose voluntarily any questionable foreign payments or practices. Hundreds of companies carried out investigations, aided by external auditors and special legal counsel, and as of Dec. 1, 1977, some 370 companies had reported having made a total of \$745 million of such payments.

At the same time, the S.E.C. took legal action against a number of companies; more than 30 have signed consent decrees agreeing to institute policies and procedures that would inhibit wrongdoing in the future.

In the wake of enormous national publicity and extensive committee hearings, Congress enacted and President Carter signed on Dec. 20, 1977, a law making it a criminal offense for an American corporation or its executives to make payments to foreign government officials or political organizations for the purpose of influencing governmental decisions.

But have the new disclosure requirements and legal penalties stopped American companies from making foreign political payments? Have they caused American companies to lose business to foreign-based competitors not under similar constraints? Finally, on a broader level, just how reasonable and effective are these moves by Washington?

Hard evidence bearing on these questions is not readily available, of course. The full consequences of the new regulatory environment, for example, will not be manifest for several years. Nevertheless, we have collected enough information from dozens of interviews over the last year with multinational corporate executives to offer some general answers.

It is clear that, acting under the pressure of United States laws, regulations and public opinion, most United States-based multinationals have substantially reduced or eliminated foreign political payments. Small payments to minor officials of foreign governments to induce them to perform their duties expedi-

tiously—generally known as "facilitating" payments or "grease"—appear to be inescapable and continue. They are not prohibited by United States law or regulation.

Some American multinationals have changed their mode of transacting foreign business to reduce direct relationships with foreign government officials. Thus, a large electrical equipment manufacturer now produces equipment in certain countries, rather than exporting it from the United States, to avoid the payment of commissions to foreign agents, whose activities it cannot control.

Some organizations have arranged to have their former agents act as principals who buy and sell on their own accounts. This eliminates the payment of commissions and the responsibility for monitoring their use.

Still other companies, particularly engineering and construction firms, have abandoned roles as prime contractors to foreign governments and have become subcontractors to French, West German, Japanese or South Korean companies.

By these stratagems, American companies have insulated themselves against charges of impropriety, but the practice of making political payments continues in other hands.

The requirements of disclosure and the imposition of penalties have also caused some loss of foreign business for United States-based multinationals. The extent of this loss cannot yet be measured. However, at a conference of senior business executives, held last February at the University of California at Los Angeles, the consensus was that foreign governments had diverted many orders from American companies. As one executive put it, "Foreign governments prefer to deal with companies whose governments do not require them to kiss and tell."

The overall loss of business is probably less than the 10 percent estimated by some sources. But it has been material, especially in the pharmaceutical, engineering and construction industries, which conduct a large proportion of their business with governments. Whatever the magnitude may be, the consequences have been adverse for the United States balance of trade and balance of international payments and for employment in the United States.

Do the economic and social costs of the new policies outweigh the social benefits of reduced corruption in business-government relationships? Is a United States criminal statute the best kind of governmental intervention to achieve the moral end in view?

In a thorough study of the subject, we found that prevailing ideas about these payments contained serious errors. Though not to be condoned, such payments have in fact been a relatively small and immaterial factor in the foreign business of the vast majority of United States companies.

Most of these payments have been responses to extortionate demands by officials of foreign governments, who demanded them as a condition for the performance of their regular duties or for deterring them from harming American corporate interests by punitive taxation, regulation or expropriation. Most payments have not been bribes initiated by American businessmen in an unprincipled quest for more sales.

Contrary to the widely held view, the great majority of payments were made by the managers of foreign subsidiaries or affiliates of multinational companies without the authorization or knowledge of top corporate officials in the United States.

Political payments by business concerns—domestic as well as foreign—have been embedded in the cultures of most nations since the earliest days of trade. The reduction of such payments calls for profound changes in national cultures and commercial practices. It cannot be brought about by unilateral actions of the United States Government, although this country should play a leadership role in cooperating with other nations to reduce corruption in business-government relations.

Moreover, as Elliot L. Richardson (former Attorney General and Secretary of Commerce) has noted, there is a grave doubt whether the new criminal statute is enforceable in cases where payments are made by executives of foreign subsidiaries of United States-based companies if these executives are residents and citizens of foreign countries and if they act without the knowledge or consent of corporate officers in the United States.

Laws now on the books of virtually every nation of the world make it a crime for government officials to solicit or accept bribes. If public officials are

not deterred from improper conduct by the laws of their own countries, will they be influenced by a United States law?

Successful prosecution of a bribe that is conceived, offered and accepted in a foreign country would typically depend on information and witnessess beyond the reach of United States judicial processes. An American businessman who is charged with bribery but is unable to produce foreign documents and foreign witnesses for his defense would be denied the due process of law guaranteed to him under the Constitution.

There are, in our judgment, more effective means available for reducing foreign political payments than the new criminal statute:

- American corporations should adopt stern policies requiring obedience to the laws of the foreign countries in which they do business, monitor the actions of their foreign agents and maintain accurate and complete records. These policies should be enforced by an audit committee of outside (nonmanagement) directors to which the corporate internal audit staff and the external auditors report directly.

- The State Department should protect American companies against extortionate demands by foreign government officials and should be prepared to invoke economic sanctions against governments that violate investment agreements or international laws.

- Foreign governments should adhere to codes of responsible behavior toward foreign investments, make their laws explicit, reduce administrative discretion, adequately compensate their public servants and enforce their own laws against the solicitation or acceptance of bribes.

These measures, taken together, would go a long way toward raising the moral level of business-government relationships throughout the world. And they would make an international agreement on these matters—which would be extremely difficult to obtain—unnecessary.

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169. Barry M. Richman, "End to Foreign Payoffs Won't Hurt Much, Questionable Practice Unnecessary for Firms with Good Management," Los Angeles Times, April 23, 1978

A common argument for permitting questionable foreign payments is an economic one involving competitive disadvantages for U.S. corporations and the American economy. It is claimed that if U.S. companies stop making such payments, and their foreign competitors do not, the U.S. firms will lose much foreign business, incur greater costs, and suffer other serious adverse economic consequences abroad. As a result, the U.S. economy will also suffer seriously in terms of its balance of payments and employment. The corporate directors and managers who were the most apprehensive about stopping various kinds of questionable foreign payments and practices typically took this position.

Many questionable foreign payments made in the past were not necessary. A substantial amount of business lost by U.S. corporations because of questionable payments was lost to other American companies, and not to foreign competitors. Often the business could have been obtained without any payoffs.

Quite a few of the corporations studied which have disclosed large improper payments, and which have since taken relatively effective steps to prevent them, are experiencing high, if not record, revenues, profits and backlog. However, a number of firms have recently experienced some significant lost business abroad because they now refuse to engage in various questionable payments and practices.

The president of a major pharmaceutical company feels that some foreign firms are now engaging in questionable payments and practices not used by them before, and which they have probably learned about through Securities & Exchange Commission disclosures. He expressed concern about an acceleration of this trend by foreign competitors. Quite a few companies are more concerned about the anticipated and actual loss of business and profits as a result of stopping various commercial payments and practices than their losses due to stopping political and government related payments.

Even some of the firms which have not made or disclosed any significant foreign payments have lost business in the last five years or so because they refused to make such payments. However, the number and proportion of these companies are considerably lower than in the case of the firms which have made and disclosed such payments. The paradox is that a corporation which acquires a widespread reputation for high ethical integrity, in part because it does not make questionable payments, is frequently less likely to be approached for such payments. The firms that are typically the most vulnerable with regard to losing significant business and to other adverse economic effects are

those not very strong competitively in terms of price, quality, and/or service in certain areas of their overall business and which also have been engaging in substantial foreign payments and questionable practices.

Sixteen of the companies in the sample which have disclosed questionable foreign payments appear to have lost at least \$1 million in business by stopping certain payments, and about 20% have evidently lost more than \$10 million. However, in

only about 15% of these cases has the amount of such business involved more than 0.5% of the corporation's total consolidated sales or revenues in any one year; and in only 25% of the cases has it involved more than 1% of total foreign revenues or sales, although in some cases the percentage was significantly higher in a particular foreign country. With the possible exception of one corporation, in no case has the estimated loss of business exceeded more than a few percent of total corporate sales or 5% of total foreign sales.

Information has been disclosed by or obtained from 19 of the firms studies involving estimated sales or revenues related to questionable payments made in the past. Most of these companies are among the 16 that indicated that they have recently lost at least \$1 million in business by stopping such payments. A comparison of recent business lost by the companies in relation to their total consolidated sales and revenues, as well as their total foreign sales or revenues, with past business allegedly derived because of questionable payments made, supports the contention that such payments were often not really needed in the past.

The sales or revenues related to questionable payments made in the past for the 19 companies amounted to at least 0.5% of total corporate sales or revenues during the period investigated, or for any one year, in 58% of the cases, and over 1% in 26% of the cases. For several firms the ratio was substantially more than 1%. In 63% of the cases, the past sales or revenues related to questionable payments were more than 1% of their total foreign sales or revenues, and for 21% of the 19 corporations they amounted to at least 5% of their total foreign sales or revenues.

Hence, the claimed business gains related to questionable payments made in the past was significantly greater than the business recently lost by stopping such payments for the sample of firms involved.

Quite a few companies have recently obtained large sales or government approvals for major projects or new ventures after turning down requests for payoffs in various foreign countries.

Although quite a few companies have recently and will continue to experience lost business and other adverse economic consequences by refusing to make improper payments or engage in questionable practices, this does not seem to be a truly material problem for most U.S. corporations, or with regard to U.S. competitive disadvantages generally. I know of no convincing evidence showing that, in aggregate terms, American exports, employment or returns on U.S. foreign investment have or are likely to suffer significantly because U.S. corporations stop making improper foreign payments.

A few U.S. firms may suffer really serious adverse economic consequences at times because they refuse to make questionable payments. However, such potential adverse consequences are likely to be due in large part to ineffective management in the past.

It is a primary responsibility of management to assure that the corporation has enough legitimate competitive advantages to be profitable and viable without having to engage in significant questionable payments and practices, regardless of what some competitors may do.

170. "Ugandan Plane Deal Delivered Key to Israeli Spy Operation," Washington Post, September 11, 1978

Washington Post Foreign Service

LONDON—A mysterious Israeli tycoon and the Mossad, Israeli's intelligence service, appear to have provided Idi Amin's Uganda Airlines with its two Boeing 707 jetliners as part of an Israeli effort to spy on Libya.

The planes, which fly cargo between Uganda and Europe, make refueling stops several times a week at the military airport at Benghazi, Libya. These visits to Libya, according to a source in the intelligence community here, are at the heart of this peculiar affair.

Sources say that "navigators" who accompany the planes' regular crews file reports that are later shared among Israeli, British and U.S. intelligence.

The operation, according to intelligence sources, yields few if any secrets of value. The sources here also believe that nobody is fooling anybody in this affair.

But Idi Amin must be delighted with a cut-rate service that transports Ugandan coffee, officials and their mistresses to Europe and brings back whiskey, machine tools, livestock, and Mercedes Benz limousines.

Intelligence sources here suspect that Libyan leader Col. Muammar Qaddafi also likes the idea of knowing what planes spies will be arriving on. The sources assume that Qaddafi's agents provide Libya's visitors with appropriate "disinformation."

But the big winner in this operation appears to be Shaul Eisenberg, the elusive Israeli entrepreneur at its center.

The two used Boeing 707s—which together with a used Lockheed C130 comprise Uganda Airlines—got to Amin through several of Eisenberg's 80 or so companies.

The chief Eisenberg firm in these deals was Aircraft Trading and Services Inc., or Atasco. Headquartered in Asia House, Eisenberg's luxury building in Tel Aviv, Atasco also has branches in the "Eisenberg Building" in New York and in London.

Atasco was put together in 1971 by executives of Israeli Aircraft Industries, a wholly owned subsidiary of the Israeli Defense Ministry that makes planes and missiles.

Eisenberg got into Atasco as an equal partner with Israeli Aircraft for \$500,000 in cash. After the 1973 Middle East war, Israeli Aircraft, staggered by scandals, sold its share in Atasco to Eisenberg, leaving him its sole owner.

The rest of Atasco's original capital, \$5 million, came from the U.S. Export-Import Bank, which is supposed to make loans to promote American exports.

The Ex-Im Bank certainly found the right man in Eisenberg. He quickly turned into an eager customer for Pan American Airways' used Boeing 707s.

Atasco bought 12 or 15 of the advances series "C" 707s that Pan Am was selling and purchased six out of ten earlier series "C" 707s being sold by the airline.

At its Israeli hangars, currently jammed with 707s bearing obscure markings, Atasco remodels the interiors to suit customers and paints

on their proud colors — Iran Air, Tarom of Romania, Uganda Airlines.

In May 1976, Atasco sold the 707 that was once Pan Am's "Clipper Jupiter" to a firm in Zurich, which dealt it on to Amin.

Intelligence sources say that the head of this Zurich firm is a 15-year veteran of Mossad, the Israeli intelligence agency, and that the firm is an agency "laundry." It exists, these sources say, to pass on Mossad funds for deals in which the Israeli secret service is interested.

By the time somebody decided in 1977 that Uganda Airlines should double its 707 fleet, the Carter administration had taken office and the State Department was examining all export licenses to see if the product might be used in the suppression of human rights.

Since it seemed unlikely the sale of another 707 to Uganda would be approved, Atasco sold the plane that once flew as Pan Am's "Clipper Undaunted" to something called Ronair Inc., which then leased the 707 to Uganda Airlines.

Ronair—three people and President Fred Solomon—by remarkable coincidence shares an office with Eisenberg's Atasco in the Eisenberg Building at 4 E. 39th St. in New York City. Nobody at Ronair would talk to the Washington Post.

Since Amin, when he seized power, killed most of Uganda's trained pilots, his airline was short of crews. So to fly his 707s, Amin—or his suppliers—turned to a U.S. firm, Aviation Technical Assistance and Service Co., or Avtec, of Burlington, Calif.

This firm, which supplies air crews, is said to have no formal intelligence links. Its president, John McEvoy, initially told a reporter who called on him at Avtec's London office that he could not remember who had brought him the Uganda Airlines contract. Then he remembered it was the Swiss firm.

Under questioning, he finally acknowledged that "we're a subcontractor" of the Swiss firm.

McEvoy was also certain that his firm had no ties with Eisenberg's Atasco. However, at least one pilot hired by Avtec to fly for Uganda Airlines recalls that his training on the 707 was held up for lack of a \$15,000 payment. This pilot simply called Atasco in Tel Aviv to pay Avtec's debt and the money arrived promptly. McEvoy said he thought there had been some mistake.

While McEvoy's firm supplies the pilots, however, it does not supply Uganda Airlines with navigators. Indeed, pilots assert that none are needed on the Uganda Airlines planes.

However, several have been spotted by other air crews. Intelligence sources here say it is the "navigators" who do the looking when Ugandan planes call in Benghazi.

Whether they see anything worth while is doubted here.

One of the most fascinating figures in this whole affair is Eisenberg, the Yiddish-speaking tycoon who never speaks with the press.

In Israel, much is known of him, however. He was born in Munich in 1926, somehow got to Japan and there married the daughter of an Austrian painter and his Japanese wife. Eisenberg is thought to have sat out the war years in Japan.

After the war, like several other fabled international operators, Eisenberg started his fortune by dealing in surplus weapons. He prospered.

His family multiplied. So did his corporate entities.

Today he boasts comfortable homes in Tokyo, London, Zurich and Savyon, a wealthy suburb of Tel Aviv. Four of his married daughters live in Israel. A fifth lives in a villa at Hampstead, London's version of Cleveland Park.

Eisenberg himself maintains an apartment there in a substantial building nearby. Two floors below him live his son Erwin and Erwin's wife. The Hampstead Eisenbergs are as untalkative with a reporter as are those in Israel. Like Eisenberg's various aides, his family professes never to know where he is or when he will be back.

Eisenberg's business empire, which operates all over the globe, includes at least 70 concerns in one holding company alone, United Development Inc. Atasco is one of United's subsidiaries.

Outside United's grasp is Eisenberg's Eisenberg Export Co., Bargad Trading Co., Asia House and others.

Eisenberg is clearly a persuasive man. He is the sole beneficiary of what in Israel is called "the Eisenberg law." It exempts from tax certain companies that do business abroad. So far, it fits only Eisenberg.

Israeli experts say that a contribution of 10 million Israeli pounds for a hospital in Jaffa helped create a favorable political climate for enactment of the law.

It is not clear what nationality he really is. One report says he carries an Austrian passport. But Eisenberg is obviously eager to keep close to Israel's power elite. He staffs his companies with high-ranking former officers, diplomats and the like.

At the Israeli Aircraft Industries hangar where Atasco work is done, Eisenberg is currently outfitting one of his 707s for his own use. It will serve as a flying office to keep him in touch with his business world, more or less conterminous with the planet.

A recent and vain call to Atasco's London office turned up the report that Eisenberg was in Hanoi, "negotiating a big deal."

He does not always take all branches of the Israeli government into his confidence. When the late finance minister, Pinhas Sapir, first learned of Eisenberg's partnership with Israeli Aircraft in Atasco, Sapir remarked: "We were shown a bride who is slightly pregnant."

But Eisenberg obviously has a charm that overcomes resentment. It was Sapir who pushed through the "Eisenberg law."

There are frequent but unsubstantiated reports that Eisenberg operates mostly from Central America these days. Among other things, he is the Panamanian honorary general consul in Tel Aviv.

Like Eisenberg, the Mossad could not be reached for comment on this affair. Israel, like Britain, pretends its intelligence service does not exist.

As for the putative Mossad man in Zurich, his secretary said her boss was unreachable, "on a boat."

Washington Post staff writers Fred Barbash in Washington and Lee Lescaze in New York contributed to this story, as did special correspondent Yuval Elizur in Tel Aviv.



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